



City of Wheatland

111 C Street – Wheatland, California 95692
Tel (530) 633-2761 – Fax (530) 633-9102

CITY COUNCIL MEETING STAFF REPORT

Date: September 8, 2009

Agenda Item: 5.1

Subject: Solid Waste Rate Adjustment 2009

Prepared by: Stephen L. Wright, City Manager

Recommendation: Council approve the attached amendment to the City solid waste franchise agreement.

Discussion: Each year pursuant to the existing franchise agreement for solid waste collection and disposal, consideration is given to a rate adjustment. The City is a member of the Yuba Sutter Waste Management Authority and through their staff and consultant work the attached staff report and evaluation report have been prepared analyzing the various factors that need to be considered related to a rate adjustment. These reports were submitted to the RWMA administrators (City Managers and County Administrators) who recommended approval of the adjustment. The matter then went to the RWMA Board (McIntosh/Coe serve from Wheatland) who subsequently also recommended approval. The issue now goes to each governing body of the RWMA for consideration.

There are no recommended adjustments to refuse collection rates this year. Issues related to the rate stabilization fund, diesel fuel prices, vehicle retrofit plan and diversion performance standards are outlined in the attached staff report and evaluation report. Mr. Keith Martin, the RWMA administrator and Mr. Dave Vaughn from YSDI will be in attendance at the Council meeting to answer Council questions.

Alternatives: The Council could request the RWMA staff to provide further analysis of their calculations and present options for Council consideration.

Fiscal Impact: No direct impact to the General Fund.

**CITY OF WHEATLAND
AMENDMENT TO FRANCHISE AGREEMENT**

August 6, 2009

This Amendment to the Franchise Agreement for solid waste collection, disposal, and recycling services is made this 8th day of September 2009, by and between the City of Wheatland, California (CITY) and YUBA-SUTTER DISPOSAL, INC. (YSDI).

RECITALS

A. On September 9, 1991, the City of Wheatland entered into an exclusive franchise agreement (Agreement) with YSDI for the collection of refuse within the corporate limits of the City of Wheatland.

B. The Detailed Rate Adjustment review for Rate Year 2010 determined that surplus revenue of \$1,028,410 (the Surplus, \$976,989 plus \$51,421 in franchise fees) would be generated if the Rate Year 2009 base service rates charged for services provided to all of the Regional Waste Management Authority (RWMA) member agencies remain unchanged for Rate Year 2010. The RWMA member agencies desire to continue the Rate Stabilization Fund, initially established beginning in Rate Year 2008, with the current Surplus rather than reduce the service rates by this amount.

C. CITY/COUNTY and YSDI mutually desire to amend the Franchise Agreement by executing this amendment (Amendment) to adjust residential, commercial and debris box collection rates effective October 1, 2009 to reflect the Detailed Rate Adjustment per the Rate Adjustment Guidelines; the continuation of the Rate Stabilization Fund; the fuel price differential for the last three months of Rate Year 2008 (July 1, 2008 – September 30, 2008); the fuel price differential for the first nine months of Rate Year 2009 (October 1, 2008 – June 30, 2009); and, a credit for a portion of the retrofit costs of the five (5) solid waste collection vehicles retrofitted to comply with California Air Resources Board (CARB) regulations and subsequently transferred from the YSDI fleet. CITY/COUNTY and YSDI also mutually desire to amend the Franchise Agreement by executing this Amendment to establish the fuel price allowance for Rate Year 2010 and Rate Year 2011; and, to re-set the performance standards for certain recycling programs.

**NOW, THEREFORE THE PARTIES TO THE FRANCHISE AGREEMENT
AND THIS AMENDMENT AGREE AS FOLLOWS**

1. SERVICE RATES AND RATE STABILIZATION FUND

The rates charged by YSDI for the services provided pursuant to the Franchise Agreement, as amended, for the period October 1, 2009 through September 30, 2010, are specified in Exhibit A to this Amendment. YSDI and the CITY agree that the Detailed Rate Adjustment related to the Surplus shall be remitted to the RWMA for retention as a Rate Stabilization Fund and deposited in an interest bearing Local Agency Investment Fund (LAIF) account. The Surplus shall be remitted to the RWMA in twelve equal monthly payments. The Surplus figure shall be adjusted by the Indexed Rate Adjustment for Rate Year 2011, and the resulting figure shall be remitted to

the RWMA in twelve equal monthly payments in Rate Year 2011. Funds deposited in the Rate Stabilization Fund, and any interest earned on these funds, shall be released to YSDI upon authorization by the RWMA Board of Directors to fund any future expenses that the RWMA Board of Directors deem to be subject to the Rate Adjustment Guidelines. YSDI shall remit the franchise fees billed on the funds remitted to the Rate Stabilization Fund to the RWMA member jurisdictions.

2. ULTRA-LOW-SULFUR DIESEL FUEL PRICES

The service rates adopted by previous Amendments to this Agreement for Rate Year 2008 and Rate Year 2009, provided for YSDI to purchase 513,805 gallons of ultra-low-sulfur diesel (ULSD) fuel (539,989 gallons x 95.151 percent RWMA-related activities) at a cost of \$3.00 per gallon during Rate Year 2008 and \$4.00 per gallon during Rate Year 2009. These Amendments further stipulated that the service rates for Rate Year 2010 and Rate Year 2011 were to be adjusted to reflect the difference between the agreed to and the weighted average of the actual fuel price for the previous rate year multiplied by the 513,805 gallon fuel allowance.

Because only nine (9) months of Rate Year 2008 would have elapsed before the rate adjustment adoption process needed to commence for the new service rates to become effective October 1, 2007, YSDI and the CITY/COUNTY agreed that the Rate Year 2009 service rates were to be adjusted to reflect the difference between the agreed to and weighted average of the actual fuel prices for the period of October 1, 2007 through June 30, 2008, multiplied by the 513,805 gallon fuel allowance pro-rated by the fraction (9/12) representing this time period compared to a one-year period. The Rate Year 2009 service rates were adjusted to reflect the difference for the first nine (9) months of Rate Year 2008. YSDI and the CITY/COUNTY further agreed that the Rate Year 2010 service rates were to be adjusted to reflect any difference in the fuel prices between the rate adjustment calculated for the fuel price difference for the first nine (9) months of Rate Year 2008 and the total rate adjustment calculated based on the fuel price difference for all of Rate Year 2008. The base service rates in Exhibit A to this Agreement reflect this fuel price difference for all of Rate Year 2008.

As previously agreed, the Rate Year 2010 service rates were also to be adjusted to reflect the difference between the agreed to fuel price for Rate Year 2009 of \$4.00 per gallon and the weighted average of the actual fuel prices for Rate Year 2009. The base service rates in Exhibit A to this Agreement reflect this fuel price difference for the first nine months of Rate Year 2009. And, as previously agreed, the Rate Year 2011 service rates will be adjusted to reflect the fuel price difference for all of Rate Year 2009 and the difference already accounted for in the Rate Year 2010 service rates.

This Amendment provides for YSDI to purchase 428,060 gallons of ultra-low-sulfur diesel (ULSD) fuel (445,432 gallons x 96.1% percent RWMA-related activities) at a cost of \$2.65 per gallon during Rate Year 2010 and Rate Year 2011. For Rate Year 2011, the \$2.65 per gallon price shall be adjusted by 80 percent of the annual change in the Consumer Price Index for all Urban Consumers (West Urban 1982-84 = 100) published by the Department of Labor, Bureau of Labor Statistics.

YSDI and the CITY/COUNTY agree that the service rates for Rate Year 2011 and for the first three months of Rate Year 2012 shall be adjusted to reflect the difference between the agreed to and weighted average of the actual fuel prices for Rate Year 2010, multiplied by the 428,060 gallon fuel allowance. The Rate Year 2011 service rates will be adjusted to reflect the pro-rated (9/12) fuel price difference for the first nine (9) months of Rate Year 2010 and the service rates

for the first three (3) months of Rate Year 2012 will be adjusted to reflect the fuel price difference for all of Rate Year 2010 and the difference already accounted for in the Rate Year 2011 service rates.

Because the Agreement term expires at the end of the first three (3) months of Rate Year 2012, adjustments to the service rates for differences in the agreed to and weighted average fuel price for all of Rate Year 2011 will have to be factored into the service rates for the first three (3) months of Rate Year 2012 which may require that the rate adoption process be slightly delayed. If a new agreement is made between the CITY/COUNTY and YSDI for the period beginning January 1, 2012, or earlier, provisions may be included in the new agreement for the difference between the agreed to and actual weighted average fuel price for Rate Year 2011 to be included in future rate adjustments.

3. SOLID WASTE COLLECTION VEHICLE RETROFIT PLAN

During the Detailed Rate Application review process, YSDI requested that the Rate Year 2010 Equipment Lease expense be increased by \$47,007 to provide for the retrofit of the 20 specified solid waste collection fleet vehicles (vehicle units numbered 13136, 13137, 13149, 13150, 13151, 13165, 13166, 13167, 13168, 13169, 10217, 11181, 11191, 11192, 11226, 11227, 12181, 12186, 12216 and 12217) in calendar years 2009 and 2010 to comply with the CARB regulations requiring specific diesel engine particulate matter reductions. As with prior amendments and provisions for adding these vehicle retrofit expenses to the equipment lease schedule, YSDI shall provide the CITY/COUNTY with the vehicle identification numbers of the vehicles within 30 days of their retrofit dates. If any of the retrofitted vehicles are removed, for any reason, from the active YSDI fleet within five years of the date of retrofit, YSDI will credit the remaining pro-rated lease cost (from the removal date to the effective date of the next detailed rate application) of that vehicle's retrofit back to the rate payers in the next detailed rate application, including the operating margin and franchise fees charged on these costs.

Subsequent rate adjustment applications including proposed vehicle/engine retrofits shall be accompanied by current competitive quotes for the cost to retrofit the vehicles identified for retrofit in the applications.

4. SOLID WASTE DIVERSION PERFORMANCE STANDARDS

YSDI acknowledges that the CITY/COUNTY is a member of the Regional Waste Management Authority (RWMA) and that as such, CITY/COUNTY is a party to the RWMA's responsibility to achieve a 50 percent waste diversion rate as defined in California laws and regulations. YSDI also acknowledges that as the sole provider of solid waste collection and recycling services in the CITY/COUNTY and the other RWMA member jurisdictions, that YSDI has a responsibility to assist the RWMA and its member jurisdictions in achieving a 50 percent waste diversion level.

As stipulated in a previous franchise agreement amendment, the Performance Standard is computed as an aggregate of materials recovered through the programs based at YSDI's MRF/Transfer Station/Composting Facility in Marysville that are provided to the RWMA member jurisdictions.

The amount of diversion shall be measured and reported for each quarter and rate year as follows:

- The amount of Green Waste diverted to the composting facility, minus the amount of materials received from outside of the RWMA Service Area, less contaminants or residue disposed.
- The amount of Green Waste diverted to other end uses minus the amount of materials received from outside of the RWMA Service Area, less contaminants or residue disposed.
- The amount of recyclable materials, by specific material type, shipped to recycling markets for each quarter or fiscal year.
- Minus the amount of recyclable materials, by specific material type, in inventory at the beginning of the quarter or fiscal year.
- Minus the amount of materials received at the buy-back center, through the Kiwanis and other newspaper collection projects and from outside of the RWMA jurisdictions (e.g. source separated recyclables, curbside recycling materials, construction and demolition debris, etc.) during the quarter, by specific material type. The materials from each of these activities shall be separately identified.
- Plus the amount of recyclable materials, by specific material type, in inventory at the end of the quarter or rate year.

The initial baseline for the Performance Standard was established for Rate Year 2002 (October 1, 2001 – September 30, 2002), and the franchise agreement amendment establishing the initial baseline stipulated that the baseline amount be re-set with each Detailed Rate Application. The baseline amount of materials diverted from the specified diversion programs in Rate Year 2008 was 59,744 tons. This amount does not include waste tires, electronic waste, or amounts of materials received through buy-back purchases and other recycling streams.

A previous franchise agreement amendment stipulated that the Performance Standard for each fiscal year is to be adjusted by adding the increased diversion amounts projected in each Detailed Rate Application to the baseline amount for the previous fiscal year. The resulting Performance Standard for Rate Year 2009 is 54,803 tons and the Performance Standard for Rate Year 2010 is 54,803 tons.

CITY OF WHEATLAND

YSDI

By: _____
Enita Elphick, Mayor

By: _____

Attest:

Lisa J. Thomason, City Clerk

Yuba - Sutter Disposal, Inc.
City of Wheatland
Proposed Rates Effective 10/1/09

Residential Rates

Service Description	Rates Effective 10/1/2008						Rates Effective 10/1/2009					
	Base Rate	Franchise Fees	Including Franchise Fees	Base Rate	Hazardous Waste / RWMA Surcharge	Total Rate for Services	Base Rate	Franchise Fees	Including Franchise Fees	Hazardous Waste / RWMA Surcharge	Total Rate for Services	
Standard 32 - Gallon Refuse Cart*	\$22.36	\$1.18	\$23.54	\$22.36	\$0.50	\$24.04	\$22.36	\$1.18	\$23.54	\$0.50	\$24.04	
Low-Income Senior Citizen 32-Gallon Refuse Cart*	\$16.77	\$0.88	\$17.65	\$16.77	\$0.50	\$18.15	\$16.77	\$0.88	\$17.65	\$0.50	\$18.15	
64 - Gallon Refuse Cart*	\$33.53	\$1.76	\$35.29	\$33.53	\$0.50	\$35.79	\$33.53	\$1.76	\$35.29	\$0.50	\$35.79	
96 - Gallon Refuse Cart*	\$44.70	\$2.35	\$47.05	\$44.70	\$0.50	\$47.55	\$44.70	\$2.35	\$47.05	\$0.50	\$47.55	
Extra 32 - Gallon Refuse Cart	\$11.18	\$0.59	\$11.77	\$11.18		\$11.77	\$11.18	\$0.59	\$11.77		\$11.77	
Extra 64 - Gallon Refuse Cart	\$22.36	\$1.18	\$23.54	\$22.36		\$23.54	\$22.36	\$1.18	\$23.54		\$23.54	
Extra 96 - Gallon Refuse Cart	\$33.53	\$1.76	\$35.29	\$33.53		\$35.29	\$33.53	\$1.76	\$35.29		\$35.29	
Extra Bag of Refuse (Per Pickup Rate)	\$3.71	\$0.20	\$3.91	\$3.71		\$3.91	\$3.71	\$0.20	\$3.91		\$3.91	

* Customers will be supplied 1 blue 64 - gallon cart for recycling and 1 green 96 - gallon cart for green yard waste.
The cost of these services is included in the price for refuse service.

Commercial Container Rates

Service Description	Rates Effective 10/1/2008					Rates Effective 10/1/2009				
	Base Rate	Franchise Fees	Including Franchise Fees	Household Hazardous Waste / RWMA Surcharge	Total Rate for Services	Base Rate	Franchise Fees	Including Franchise Fees	Household Hazardous Waste / RWMA Surcharge	Total Rate for Services
1 Yard										
1 Time per Week	\$103.49	\$5.45	\$108.94	\$2.10	\$111.04	\$103.49	\$5.45	\$108.94	\$2.10	\$111.04
2 Times per Week	\$174.90	\$9.21	\$184.11	\$3.60	\$187.71	\$174.90	\$9.21	\$184.11	\$3.60	\$187.71
3 Times per Week	\$258.00	\$13.58	\$271.58	\$5.30	\$276.88	\$258.00	\$13.58	\$271.58	\$5.30	\$276.88
4 Times per Week	\$317.74	\$16.72	\$334.46	\$6.50	\$340.96	\$317.74	\$16.72	\$334.46	\$6.50	\$340.96
5 Times per Week	\$393.50	\$20.71	\$414.21	\$8.10	\$422.31	\$393.50	\$20.71	\$414.21	\$8.10	\$422.31
6 Times per Week	\$504.25	\$26.54	\$530.79	\$10.40	\$541.19	\$504.25	\$26.54	\$530.79	\$10.40	\$541.19
1.5 Yard										
1 Time per Week	\$138.47	\$7.29	\$145.76	\$2.90	\$148.66	\$138.47	\$7.29	\$145.76	\$2.90	\$148.66
2 Times per Week	\$239.07	\$12.58	\$251.65	\$4.90	\$256.55	\$239.07	\$12.58	\$251.65	\$4.90	\$256.55
3 Times per Week	\$327.99	\$17.26	\$345.25	\$6.80	\$352.05	\$327.99	\$17.26	\$345.25	\$6.80	\$352.05
4 Times per Week	\$425.48	\$22.39	\$447.87	\$8.80	\$456.67	\$425.48	\$22.39	\$447.87	\$8.80	\$456.67
5 Times per Week	\$523.20	\$27.54	\$550.74	\$10.80	\$561.54	\$523.20	\$27.54	\$550.74	\$10.80	\$561.54
6 Times per Week	\$671.92	\$35.36	\$707.28	\$13.80	\$721.08	\$671.92	\$35.36	\$707.28	\$13.80	\$721.08
2 Yard										
1 Time per Week	\$166.24	\$8.75	\$174.99	\$3.40	\$178.39	\$166.24	\$8.75	\$174.99	\$3.40	\$178.39
2 Times per Week	\$265.16	\$13.96	\$279.12	\$5.50	\$284.62	\$265.16	\$13.96	\$279.12	\$5.50	\$284.62
3 Times per Week	\$364.33	\$19.18	\$383.51	\$7.50	\$391.01	\$364.33	\$19.18	\$383.51	\$7.50	\$391.01
4 Times per Week	\$466.36	\$24.55	\$490.91	\$9.60	\$500.51	\$466.36	\$24.55	\$490.91	\$9.60	\$500.51
5 Times per Week	\$569.84	\$29.99	\$599.83	\$11.70	\$611.53	\$569.84	\$29.99	\$599.83	\$11.70	\$611.53
6 Times per Week	\$724.38	\$38.13	\$762.51	\$14.90	\$777.41	\$724.38	\$38.13	\$762.51	\$14.90	\$777.41
3 Yard										
1 Time per Week	\$201.21	\$10.59	\$211.80	\$4.10	\$215.90	\$201.21	\$10.59	\$211.80	\$4.10	\$215.90
2 Times per Week	\$333.86	\$17.57	\$351.43	\$6.90	\$358.33	\$333.86	\$17.57	\$351.43	\$6.90	\$358.33
3 Times per Week	\$486.76	\$25.82	\$512.58	\$10.00	\$522.58	\$486.76	\$25.82	\$512.58	\$10.00	\$522.58
4 Times per Week	\$603.38	\$31.76	\$635.14	\$12.40	\$647.54	\$603.38	\$31.76	\$635.14	\$12.40	\$647.54
5 Times per Week	\$740.42	\$38.97	\$779.39	\$15.20	\$794.59	\$740.42	\$38.97	\$779.39	\$15.20	\$794.59
6 Times per Week	\$947.30	\$49.86	\$997.16	\$19.50	\$1,016.66	\$947.30	\$49.86	\$997.16	\$19.50	\$1,016.66
4 Yard										
1 Time per Week	\$241.90	\$12.73	\$254.63	\$5.00	\$259.63	\$241.90	\$12.73	\$254.63	\$5.00	\$259.63
2 Times per Week	\$406.56	\$21.40	\$427.96	\$8.40	\$436.36	\$406.56	\$21.40	\$427.96	\$8.40	\$436.36
3 Times per Week	\$574.21	\$30.22	\$604.43	\$11.80	\$616.23	\$574.21	\$30.22	\$604.43	\$11.80	\$616.23
4 Times per Week	\$743.23	\$39.12	\$782.35	\$15.30	\$797.65	\$743.23	\$39.12	\$782.35	\$15.30	\$797.65
5 Times per Week	\$915.32	\$48.17	\$963.49	\$18.80	\$982.29	\$915.32	\$48.17	\$963.49	\$18.80	\$982.29
6 Times per Week	\$1,177.61	\$61.98	\$1,239.59	\$24.20	\$1,263.79	\$1,177.61	\$61.98	\$1,239.59	\$24.20	\$1,263.79

Yuba - Sutter Disposal, Inc.
City of Wheatland
Proposed Rates Effective 10/1/09

Commercial Container Rates

Service Description	Rates Effective 10/1/2008						Rates Effective 10/1/2009					
	Base Rate	Franchise Fees	Including Franchise Fees	Household Hazardous Waste / RWMA Surcharge	Total Rate for Services		Base Rate	Franchise Fees	Including Franchise Fees	Household Hazardous Waste / RWMA Surcharge	Total Rate for Services	
5 Yard												
1 Time per Week	\$250.57	\$13.19	\$263.76	\$5.20	\$268.96		\$250.57	\$13.19	\$263.76	\$5.20	\$268.96	
2 Times per Week	\$444.43	\$23.39	\$467.82	\$9.20	\$477.02		\$444.43	\$23.39	\$467.82	\$9.20	\$477.02	
3 Times per Week	\$641.28	\$33.75	\$675.03	\$13.20	\$688.23		\$641.28	\$33.75	\$675.03	\$13.20	\$688.23	
4 Times per Week	\$842.46	\$44.34	\$886.80	\$17.30	\$904.10		\$842.46	\$44.34	\$886.80	\$17.30	\$904.10	
5 Times per Week	\$1,042.14	\$54.85	\$1,096.99	\$21.50	\$1,118.49		\$1,042.14	\$54.85	\$1,096.99	\$21.50	\$1,118.49	
6 Times per Week	\$1,349.51	\$71.03	\$1,420.54	\$27.80	\$1,448.34		\$1,349.51	\$71.03	\$1,420.54	\$27.80	\$1,448.34	
6 Yard												
1 Time per Week	\$258.00	\$13.58	\$271.58	\$5.30	\$276.88		\$258.00	\$13.58	\$271.58	\$5.30	\$276.88	
2 Times per Week	\$480.95	\$25.31	\$506.26	\$9.90	\$516.16		\$480.95	\$25.31	\$506.26	\$9.90	\$516.16	
3 Times per Week	\$708.24	\$37.28	\$745.52	\$14.60	\$760.12		\$708.24	\$37.28	\$745.52	\$14.60	\$760.12	
4 Times per Week	\$938.62	\$49.40	\$988.02	\$19.30	\$1,007.32		\$938.62	\$49.40	\$988.02	\$19.30	\$1,007.32	
5 Times per Week	\$1,171.82	\$61.67	\$1,233.49	\$24.10	\$1,257.59		\$1,171.82	\$61.67	\$1,233.49	\$24.10	\$1,257.59	
6 Times per Week	\$1,518.54	\$79.92	\$1,598.46	\$31.30	\$1,629.76		\$1,518.54	\$79.92	\$1,598.46	\$31.30	\$1,629.76	
7 Yard												
1 Time per Week	\$288.63	\$15.19	\$303.82	\$5.90	\$309.72		\$288.63	\$15.19	\$303.82	\$5.90	\$309.72	
2 Times per Week	\$536.31	\$28.23	\$564.54	\$11.00	\$575.54		\$536.31	\$28.23	\$564.54	\$11.00	\$575.54	
3 Times per Week	\$786.99	\$41.42	\$828.41	\$16.20	\$844.61		\$786.99	\$41.42	\$828.41	\$16.20	\$844.61	
4 Times per Week	\$1,042.14	\$54.85	\$1,096.99	\$21.50	\$1,118.49		\$1,042.14	\$54.85	\$1,096.99	\$21.50	\$1,118.49	
5 Times per Week	\$1,297.06	\$68.27	\$1,365.33	\$26.70	\$1,392.03		\$1,297.06	\$68.27	\$1,365.33	\$26.70	\$1,392.03	
6 Times per Week	\$1,684.77	\$88.67	\$1,773.44	\$34.70	\$1,808.14		\$1,684.77	\$88.67	\$1,773.44	\$34.70	\$1,808.14	
8 Yard												
1 Time per Week	\$329.32	\$17.33	\$346.65	\$6.80	\$353.45		\$329.32	\$17.33	\$346.65	\$6.80	\$353.45	
2 Times per Week	\$588.81	\$30.99	\$619.80	\$12.10	\$631.90		\$588.81	\$30.99	\$619.80	\$12.10	\$631.90	
3 Times per Week	\$877.25	\$46.17	\$923.42	\$18.10	\$941.52		\$877.25	\$46.17	\$923.42	\$18.10	\$941.52	
4 Times per Week	\$1,165.88	\$61.36	\$1,227.24	\$24.00	\$1,251.24		\$1,165.88	\$61.36	\$1,227.24	\$24.00	\$1,251.24	
5 Times per Week	\$1,447.23	\$76.17	\$1,523.40	\$29.80	\$1,553.20		\$1,447.23	\$76.17	\$1,523.40	\$29.80	\$1,553.20	
6 Times per Week	\$1,776.58	\$93.50	\$1,870.08	\$36.60	\$1,906.68		\$1,776.58	\$93.50	\$1,870.08	\$36.60	\$1,906.68	

Commercial Container Rates

Service Description	Rates Effective 10/1/2008					Rates Effective 10/1/2009				
	Base Rate	Franchise Fees	Base Rate Including Franchise Fees	Household Hazardous Waste / RVMA Surcharge	Total Rate for Services	Base Rate	Franchise Fees	Base Rate Including Franchise Fees	Household Hazardous Waste / RVMA Surcharge	Total Rate for Services
1 Yard Bin - Extra Service Only	\$28.12	\$1.48	\$29.60		\$29.60	\$28.12	\$1.48	\$29.60		\$29.60
1.5 Yard Bin - Extra Service Only	\$31.17	\$1.64	\$32.81		\$32.81	\$31.17	\$1.64	\$32.81		\$32.81
2 Yard Bin - Extra Service Only	\$37.50	\$1.97	\$39.47		\$39.47	\$37.50	\$1.97	\$39.47		\$39.47
3 Yard Bin - Extra Service Only	\$43.71	\$2.30	\$46.01		\$46.01	\$43.71	\$2.30	\$46.01		\$46.01
4 Yard Bin - Extra Service Only	\$49.92	\$2.63	\$52.55		\$52.55	\$49.92	\$2.63	\$52.55		\$52.55
5 Yard Bin - Extra Service Only	\$53.08	\$2.79	\$55.87		\$55.87	\$53.08	\$2.79	\$55.87		\$55.87
6 Yard Bin - Extra Service Only	\$56.26	\$2.96	\$59.22		\$59.22	\$56.26	\$2.96	\$59.22		\$59.22
7 Yard Bin - Extra Service Only	\$62.47	\$3.29	\$65.76		\$65.76	\$62.47	\$3.29	\$65.76		\$65.76
8 Yard Bin - Extra Service Only	\$68.66	\$3.61	\$72.27		\$72.27	\$68.66	\$3.61	\$72.27		\$72.27
Temporary 7 Yard Bin (available to residences)	\$134.88	\$7.10	\$141.98	\$2.00	\$143.98	\$134.88	\$7.10	\$141.98	\$2.00	\$143.98

Front Load Compactor Rates

Service Description	Rates Effective 10/1/2008					Rates Effective 10/1/2009				
	Base Rate *	Franchise Fees	Including Franchise Fees	Household Hazardous Waste / RWMA Surcharge **	Total Rate for Services	Base Rate *	Franchise Fees	Including Franchise Fees	Household Hazardous Waste / RWMA Surcharge **	Total Rate for Services
1.3 Yd Compactor										
1 time per week	\$219.65	\$11.56	\$231.21	\$2.90	\$234.11	\$219.65	\$11.56	\$231.21	\$2.90	\$234.11
2 times per week	\$439.31	\$23.12	\$462.43	\$4.90	\$467.33	\$439.31	\$23.12	\$462.43	\$4.90	\$467.33
3 times per week	\$658.95	\$34.68	\$693.63	\$6.80	\$700.43	\$658.95	\$34.68	\$693.63	\$6.80	\$700.43
4 times per week	\$878.60	\$46.24	\$924.84	\$8.80	\$933.64	\$878.60	\$46.24	\$924.84	\$8.80	\$933.64
5 times per week	\$1,098.24	\$57.80	\$1,156.04	\$10.80	\$1,166.84	\$1,098.24	\$57.80	\$1,156.04	\$10.80	\$1,166.84
6 times per week	\$1,317.91	\$69.36	\$1,387.27	\$13.80	\$1,401.07	\$1,317.91	\$69.36	\$1,387.27	\$13.80	\$1,401.07
2 Yd Compactor										
1 time per week	\$337.93	\$17.79	\$355.72	\$3.40	\$359.12	\$337.93	\$17.79	\$355.72	\$3.40	\$359.12
2 times per week	\$675.82	\$35.57	\$711.39	\$5.50	\$716.89	\$675.82	\$35.57	\$711.39	\$5.50	\$716.89
3 times per week	\$1,013.76	\$53.36	\$1,067.12	\$7.50	\$1,074.62	\$1,013.76	\$53.36	\$1,067.12	\$7.50	\$1,074.62
4 times per week	\$1,351.69	\$71.14	\$1,422.83	\$9.60	\$1,432.43	\$1,351.69	\$71.14	\$1,422.83	\$9.60	\$1,432.43
5 times per week	\$1,689.60	\$88.93	\$1,778.53	\$11.70	\$1,790.23	\$1,689.60	\$88.93	\$1,778.53	\$11.70	\$1,790.23
6 times per week	\$2,027.51	\$106.71	\$2,134.22	\$14.90	\$2,149.12	\$2,027.51	\$106.71	\$2,134.22	\$14.90	\$2,149.12
3 Yd Compactor										
1 time per week	\$506.89	\$26.68	\$533.57	\$4.10	\$537.67	\$506.89	\$26.68	\$533.57	\$4.10	\$537.67
2 times per week	\$1,013.77	\$53.36	\$1,067.13	\$6.90	\$1,074.03	\$1,013.77	\$53.36	\$1,067.13	\$6.90	\$1,074.03
3 times per week	\$1,520.66	\$80.03	\$1,600.69	\$10.00	\$1,610.69	\$1,520.66	\$80.03	\$1,600.69	\$10.00	\$1,610.69
4 times per week	\$2,027.52	\$106.71	\$2,134.23	\$12.40	\$2,146.63	\$2,027.52	\$106.71	\$2,134.23	\$12.40	\$2,146.63
5 times per week	\$2,534.43	\$133.39	\$2,667.82	\$15.20	\$2,683.02	\$2,534.43	\$133.39	\$2,667.82	\$15.20	\$2,683.02
6 times per week	\$3,041.31	\$160.07	\$3,201.38	\$19.50	\$3,220.88	\$3,041.31	\$160.07	\$3,201.38	\$19.50	\$3,220.88
4 Yd Compactor										
1 time per week	\$675.83	\$35.57	\$711.40	\$5.00	\$716.40	\$675.83	\$35.57	\$711.40	\$5.00	\$716.40
2 times per week	\$1,351.70	\$71.14	\$1,422.84	\$8.40	\$1,431.24	\$1,351.70	\$71.14	\$1,422.84	\$8.40	\$1,431.24
3 times per week	\$2,027.52	\$106.71	\$2,134.23	\$11.80	\$2,146.03	\$2,027.52	\$106.71	\$2,134.23	\$11.80	\$2,146.03
4 times per week	\$2,703.38	\$142.28	\$2,845.66	\$15.30	\$2,860.96	\$2,703.38	\$142.28	\$2,845.66	\$15.30	\$2,860.96
5 times per week	\$3,379.22	\$177.85	\$3,557.07	\$18.80	\$3,575.87	\$3,379.22	\$177.85	\$3,557.07	\$18.80	\$3,575.87
6 times per week	\$4,055.08	\$213.43	\$4,268.51	\$24.20	\$4,292.71	\$4,055.08	\$213.43	\$4,268.51	\$24.20	\$4,292.71
5 Yd Compactor										
1 time per week	\$844.79	\$44.46	\$889.25	\$5.20	\$894.45	\$844.79	\$44.46	\$889.25	\$5.20	\$894.45
2 times per week	\$1,689.62	\$88.93	\$1,778.55	\$9.20	\$1,787.75	\$1,689.62	\$88.93	\$1,778.55	\$9.20	\$1,787.75
3 times per week	\$2,534.43	\$133.39	\$2,667.82	\$13.20	\$2,681.02	\$2,534.43	\$133.39	\$2,667.82	\$13.20	\$2,681.02
4 times per week	\$3,379.22	\$177.85	\$3,557.07	\$17.30	\$3,574.37	\$3,379.22	\$177.85	\$3,557.07	\$17.30	\$3,574.37
5 times per week	\$4,224.04	\$222.32	\$4,446.36	\$21.50	\$4,467.86	\$4,224.04	\$222.32	\$4,446.36	\$21.50	\$4,467.86
6 times per week	\$5,068.84	\$266.78	\$5,335.62	\$27.80	\$5,363.42	\$5,068.84	\$266.78	\$5,335.62	\$27.80	\$5,363.42
6 Yd Compactor										
1 time per week	\$1,013.77	\$53.36	\$1,067.13	\$5.30	\$1,072.43	\$1,013.77	\$53.36	\$1,067.13	\$5.30	\$1,072.43
2 times per week	\$2,027.52	\$106.71	\$2,134.23	\$9.90	\$2,144.13	\$2,027.52	\$106.71	\$2,134.23	\$9.90	\$2,144.13
3 times per week	\$3,041.31	\$160.07	\$3,201.38	\$14.60	\$3,215.98	\$3,041.31	\$160.07	\$3,201.38	\$14.60	\$3,215.98
4 times per week	\$4,055.08	\$213.43	\$4,268.51	\$19.30	\$4,287.81	\$4,055.08	\$213.43	\$4,268.51	\$19.30	\$4,287.81
5 times per week	\$5,068.84	\$266.78	\$5,335.62	\$24.10	\$5,359.72	\$5,068.84	\$266.78	\$5,335.62	\$24.10	\$5,359.72
6 times per week	\$6,082.60	\$320.14	\$6,402.74	\$31.30	\$6,434.04	\$6,082.60	\$320.14	\$6,402.74	\$31.30	\$6,434.04

* Base Rate is based on 4,333 pick-ups per month at \$38.99/cu.yd. or \$168.96 per month times the compactor size and frequency of pick-ups per week.

** Household Hazardous Waste / RWMA Surcharge Rates are based on rates for the same size of commercial containers and service frequency. Rates for the 1.3 Yard Compactor are based on the rates for the 1.5 Yard Commercial Container.

Yuba - Sutter Disposal, Inc.
City of Wheatland
Proposed Rates Effective 10/1/09

Commercial Can and Cart Rates

Service Description	Rates Effective 10/1/2008					Rates Effective 10/1/2009				
	Base Rate	Franchise Fees	Base Rate Including Franchise Fees	Hazardous Waste / RWMA Surcharge	Total Rate for Services	Base Rate	Franchise Fees	Base Rate Including Franchise Fees	Hazardous Waste / RWMA Surcharge	Total Rate for Services
Commercial Can	\$23.29	\$1.23	\$24.52	\$0.50	\$25.02	\$23.29	\$1.23	\$24.52	\$0.50	\$25.02
Additional Commercial Can	\$21.55	\$1.13	\$22.68	\$0.50	\$23.18	\$21.55	\$1.13	\$22.68	\$0.50	\$23.18
Commercial Cart	\$46.70	\$2.46	\$49.16	\$1.00	\$50.16	\$46.70	\$2.46	\$49.16	\$1.00	\$50.16
Additional Commercial Cart	\$46.70	\$2.46	\$49.16	\$1.00	\$50.16	\$46.70	\$2.46	\$49.16	\$1.00	\$50.16

Yuba - Sutter Disposal, Inc.
City of Wheatland
Proposed Rates Effective 10/1/09

Debris Box Rates

Service Description	Rates Effective 10/1/2008					Rates Effective 10/1/2009				
	Base Rate	Franchise Fees	Including Franchise Fees	Household Hazardous Waste / RWMA Surcharge	Total Rate for Services	Base Rate	Franchise Fees	Including Franchise Fees	Household Hazardous Waste / RWMA Surcharge	Total Rate for Services
09Yd Dirt/Concrete Debris	\$358.82	\$18.89	\$377.71	5.00	\$382.71	\$358.82	\$18.89	\$377.71	\$5.00	\$382.71
15 Yd Debris Box	\$289.01	\$15.21	\$304.22	4.20	\$308.42	\$289.01	\$15.21	\$304.22	\$4.20	\$308.42
20 Yd Debris Box	\$333.47	\$17.55	\$351.02	5.00	\$356.02	\$333.47	\$17.55	\$351.02	\$5.00	\$356.02
25 Yd Debris Box	\$358.90	\$18.89	\$377.79	5.40	\$383.19	\$358.90	\$18.89	\$377.79	\$5.40	\$383.19
30 Yd Debris Box	\$393.88	\$20.73	\$414.61	6.00	\$420.61	\$393.88	\$20.73	\$414.61	\$6.00	\$420.61
40 Yd Debris Box	\$463.75	\$24.41	\$488.16	7.20	\$495.36	\$463.75	\$24.41	\$488.16	\$7.20	\$495.36
Compactor Rate Per Cubic Yard	\$40.61	\$2.14	\$42.75	\$0.60	\$43.35	\$40.61	\$2.14	\$42.75	\$0.60	\$43.35
Wood Debris Box	\$157.21	\$8.27	\$165.48		\$165.48	\$157.21	\$8.27	\$165.48		\$165.48
15 Yard Tires	\$529.98	\$27.89	\$557.87	\$6.80	\$564.67	\$529.98	\$27.89	\$557.87	\$6.80	\$564.67
20 Yard Tires	\$671.33	\$35.33	\$706.66	\$8.60	\$715.26	\$671.33	\$35.33	\$706.66	\$8.60	\$715.26
25 Yard Tires	\$803.24	\$42.28	\$845.52	\$10.30	\$855.82	\$803.24	\$42.28	\$845.52	\$10.30	\$855.82
30 Yard Tires	\$935.20	\$49.22	\$984.42	\$12.00	\$996.42	\$935.20	\$49.22	\$984.42	\$12.00	\$996.42
40 Yard Tires	\$1,121.34	\$59.02	\$1,180.36	\$14.30	\$1,194.66	\$1,121.34	\$59.02	\$1,180.36	\$14.30	\$1,194.66
Trip Charge / Same Day Service	\$65.62	\$3.45	\$69.07		\$69.07	\$65.62	\$3.45	\$69.07		\$69.07
Demurrage Charge	\$16.16	\$0.85	\$17.01		\$17.01	\$16.16	\$0.85	\$17.01		\$17.01

**REGIONAL WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS
SPECIAL MEETING AGENDA
AUGUST 6, 2009**

**AGENDA ITEM IV-A
STAFF REPORT
(As Corrected by Staff at the Meeting)**

COLLECTION RATE ADJUSTMENT APPLICATION EVALUATION REPORT

INTRODUCTION

Included as a separate document in the agenda packet is the Final Draft Report prepared by the R3 Consulting Group, Inc. on the review of the rate adjustment application that was submitted by Yuba-Sutter Disposal, Inc. (YSDI) for the rate year beginning October 1, 2009 (Rate Year 2010). This rate adjustment application is the tenth annual application submitted by YSDI pursuant to the Rate Adjustment Guidelines adopted by the RWMA member jurisdictions in July 2000. The Final Draft Report and rate adjustment recommendation to the member jurisdictions are now being presented to the RWMA Board for review and acceptance.

The Rate Adjustment Guidelines allow for the RWMA to conduct the review of rate applications, but do not specifically require that this function be performed by the RWMA. The RWMA has been providing this service for the member jurisdictions since the first Detailed Rate Application was submitted. The RWMA does not have any rate setting authority and conducts the application review only as a service to the member jurisdictions.

RATE ADJUSTMENT HISTORY

In May 1998, YSDI submitted a request for a "Proposed Rate Increase" to the RWMA Member Agencies. A rate increase of 14.11 percent was requested to be effective July 1, 1998. The RWMA member jurisdictions retained the services of a consultant to review the proposed rate increase. The consultant recommended an interim rate adjustment of 9.0 percent effective January 1, 1999, pending the adoption of a standard rate setting methodology and subsequent reconsideration of the support for the interim rate adjustment. Rate Adjustment Guidelines dated July 11, 2000, were adopted by all of the RWMA Member Agencies in July 2000. With the adoption of the Guidelines, the member jurisdictions and YSDI agreed to accept the interim rate adjustment of 9.0 percent effective January 1, 1999, and to forgo any further review and adjustments to the 1998 rate application.

The Rate Adjustment Guidelines established a process for submittal and review of Detailed Applications and Indexed Applications for rate adjustments. Detailed Applications are to be submitted in each odd-numbered year and Indexed Applications are to be submitted in each even-numbered year. Because the initial review occurred in an even-numbered year, 2000, and a Detailed Application and Review had not yet been conducted under the newly adopted Guidelines, Detailed Applications were submitted in 2000 and 2001 for both Rate Years 2001 and 2002. Per the adopted

Rate Adjustment Guidelines, for indexed rate adjustments, the rate adjustment requested is to be based on 80 percent of the one year change (December to December) in the specified Consumer Price Index (CPI).

The first Detailed Application (RY 2001) requested a rate increase of 1.35 percent. Through the review process, that request was reduced to 0.47 percent as a result of changes in implementation dates for the new diversion programs and review of the landfill post-closure expenses. This rate increase became effective January 1, 2001. Because there were only nine months left in the Rate Year, the rate adjustment was annualized to 0.62 percent.

The second Detailed Application (RY 2002) requested a rate increase of 8.34 percent. As a result of the detailed review of the application and several discussions with YSDI personnel, some of the expenses and revenue projections for RY 2002 were adjusted, which resulted in reducing the rate adjustment to 6.03 percent. Because of reductions in the costs of Member Agency specific programs for Marysville and Yuba County, the resulting rate adjustments requested for these jurisdictions were 4.92 percent and 3.30 percent respectively. For Marysville, street sweeping expenses were reduced to reflect the expiring leases for equipment that was on hand as of September 30, 2000. For Yuba County, expenses were reduced to remove the Ponderosa Landfill closure liability that would be paid off in RY 2002. At this time, universal base rates and several other policy changes were also approved and implemented including an extension of all franchise agreements to December 31, 2011.

The first Indexed Application (RY 2003) requested a 2.0 percent rate adjustment. This rate adjustment application only computed the rate adjustment percentage to one decimal place rather than the two-decimal place adjustment approved in the two prior Detailed Applications. The rate application and rate structures were subsequently revised to reflect the two decimal-place figure, and the universal base rates were increased by 2.03 percent.

The third Detailed Application (RY 2004) calculated a revenue shortfall for RY 2004 of \$2,195,283 requiring a rate increase of 13.08 percent. As a result of the detailed review of the application and several discussions between YSDI personnel and the RWMA member jurisdiction administrators, some of the expenses and revenue projections for RY 2004 were adjusted. As a result, the revenue shortfall for RY 2004 was reduced to \$1,640,475 requiring an overall rate increase of 9.80 percent for Tier 1 rates or 10.81 percent for Tier 2 rates which included the projected increase in State vehicle license and weight fees. During this rate adjustment cycle, in light of a significant average disparity in debris box service rates in comparison with surrounding jurisdictions, debris box rates were increased by 30 percent resulting in a 5.64 percent increase in all residential and commercial rates under Tier 1 and a 6.85 percent increase under Tier 2.

Because of cost increases for the Marysville street sweeping service, the resulting rate adjustments for Marysville were 6.29 percent and 7.44 percent for residential and commercial services respectively for Tier 1 and Tier 2 rates. For debris box services, the total rate increase for Marysville for Tier 1 was 30.79 percent and 30.70 percent for Tier 2. A revenue surplus was projected for the Ponderosa Transfer Station, which is a Member Agency specific program for Yuba County, resulting in 5.05 percent and 6.24 percent rate increases for residential and commercial services respectively for Tier 1 and Tier 2 rates for Yuba County. For debris box services, the total rate increase for Yuba County for Tier 1 was 29.28 percent and 29.26 percent for Tier 2.

Most of the revenue shortfall projected in the RY 2004 application was traced back to the significant revenue shortfall that resulted from the reasonable, but ultimately inaccurate assumptions made in the RY 2002 Detailed Rate Application. Approximately two-thirds of the RY 2002 shortfall of \$1,472,000 was due to significant reductions in the value of recyclable materials; the less than anticipated volume of recyclable materials collected; and, the significant and unanticipated increase in the amount of material being disposed of in RY 2002.

A major cost saving factor that was included in the RY 2004 application was a reduction in Ostrom Road disposal fees from \$26.60 per ton in 2002 to \$23.40 per ton in 2004. This reduction in disposal fees occurred because the Ostrom Road Landfill began accepting refuse from Nevada County on December 1, 2002 at a rate of \$23.00 per ton under a new long-term transfer, haul, and disposal contract. The tip fee charged to Nevada County was scheduled to increase on December 1, 2003 by 90 percent of the change in the California CPI (as measured by the California Department of Industrial Relations). The RY 2004 disposal cost included in the rate application was based on the RY 2004 disposal tip fee of \$23.40 per ton. It was expected that the Ostrom Road Landfill tip fee charged to Nevada County would increase to between \$23.42 per ton and \$23.62 per ton in RY 2004, depending on the actual change in the CPI.

Another important adjustment to the initial rate application for RY 2004 was a reduction of the projected \$1.78 per gallon diesel fuel cost to a lower average fuel cost of \$1.51 per gallon based on the then current pricing and certain published reports on projected future fuel costs. This reduction was agreed to with the provision that any significant increase in fuel cost forecast for RY 2005 related to the use of reformulated diesel fuel and any associated vehicle modification costs be added to the CPI indexed rate adjustment for RY 2005. Additionally, a two tier rate structure was adopted for RY 2004 with one incorporating the projected increase in the State vehicle license and weight fees (Tier 2) and one without these fees (Tier 1). The projected fee increase added 1.01 percentage points to the overall RY 2004 rate adjustment. While the initial RY 2004 rates were set at the Tier 2 level including these fee increases, the retroactive cancellation of these fees on November 17, 2003, resulted in the RY 2004 rates being reduced to the Tier 1 rates and a rate reduction of 0.20 percent for RY 2005 to credit the rate payers for the period in which the higher rates were collected.

The second Indexed Application was submitted on April 28, 2004 for Rate Year 2005 (October 1, 2004 to September 30, 2005). However, the franchise agreement amendments and associated rate structures that were adopted by the RWMA member jurisdictions for RY 2004 included provisions allowing for special consideration in RY 2005 for any significant increase in fuel costs directly related to the reformulation of diesel fuel and related truck modifications forecast for RY 2005.

YSDI's initial application included a requested rate adjustment of 1.21 percent for the change in the CPI; a rate reduction (credit) of 0.20 percent for the period in RY 2004 prior to the roll-back of collection rates to the Tier 1 level; a rate increase of 0.23 percent for the projected first year cost for the use of ultra-low-sulfur diesel (ULSD) fuel; and, a rate increase of 1.99 percent for the projected first year cost for related truck modifications required by the new California Air Resources Board (CARB) regulations pertaining to particulate matter emissions. The combined initial rate adjustment request was equal to a 3.23 percent increase.

In the rate application, YSDI proposed to retrofit one-third of the total vehicles in RY 2005 that were designated for retrofitting pursuant to the new CARB regulations and to retain the rate adjustment

through both RY 2006 and RY 2007 to provide for the retrofit of the balance of the fleet. As a result of the application review, the number of vehicles designated for retrofitting was reduced in order to implement the retrofits on a schedule more closely matching the regulation requirements. The option to also apply Nitrogen Oxides (NOx) control technology was eliminated. In summary, as recommended by staff and the RWMA member jurisdiction administrators with the concurrence of YSDI, the combined rate adjustment for RY 2005 was reduced to an increase of 1.49 percent versus the combined 3.23 rate increase request in the initial rate application.

In addition to the Indexed Rate Application for RY 2005 and pursuant to the adopted Rate Adjustment Guidelines, YSDI submitted a supplemental Special Adjustment request dated July 14, 2004, in which they asked for an additional collection rate increase of 1.20 percent to compensate for projected increases in fuel expenses for RY 2005. YSDI also recommended in this request, based on the instability of fuel prices, that any excess or shortfall between the actual and projected fuel and oil cost for RY 2005 be reconciled in the Indexed Rate Application for RY 2007. As required by the Rate Adjustment Guidelines, a meeting between YSDI and the RWMA member jurisdiction administrators was scheduled to discuss this supplemental Special Adjustment request. The Administrators present at this meeting unanimously concluded that the projected fuel price increase did not constitute an extraordinary or unanticipated event that would materially affect YSDI's cost of operations. This decision was documented in letters from the jurisdictions to YSDI, and YSDI opted to drop this issue rather than submit a Detailed Application.

The fourth Detailed Rate Application for Rate Year 2006 (October 1, 2005 to September 30, 2006) was submitted on March 31, 2005. This application calculated a projected revenue shortfall for RY 2006 of \$2,440,507 requiring a rate adjustment of 11.92 percent. As a result of the detailed review of the application and several discussions with YSDI personnel and the RWMA Administrators, some of the expenses and revenue projections for RY 2006 were adjusted. As a result, the revenue shortfall for RY 2006 was reduced to \$1,809,684 requiring a rate adjustment of 8.74 percent. While revenue from all sources was projected to increase significantly; increased labor, fuel and disposal costs along with increased equipment lease expenses due to the on-going mandated retrofit of the collection vehicles and other miscellaneous cost increases were projected to well exceed the additional revenue during this time period. Most of these cost increases include both projected increases due to growth as well as the increased cost of these services.

The franchise agreement amendments adopted to establish the Rate Year 2006 rate structures included provisions for rate adjustments in future rate years related to the price of ultra-low-sulfur diesel fuel (ULSD). Specifically, a lower average price of \$2.60 per gallon was agreed to with the provision that the service rates can be adjusted in both Rate Year 2007 and Rate Year 2008 to reflect any difference between the agreed to and weighted average of the actual fuel prices for the previous rate year multiplied by the 496,509 gallon fuel allowance. The franchise agreement amendments reflected this provision and also required YSDI to provide documentation regarding each ULSD fuel purchase, including the number of gallons purchased, the cost, document number, date, and vendor name. This amendment also required that YSDI obtain a minimum of three quotes for each fuel purchase; purchase the lowest cost ULSD fuel for each purchase; and provide documentation regarding the minimum three quotes obtained for each fuel purchase.

It is also important to note that the rate increase varied from the 8.74 percent adjustment for Marysville and Yuba County due to the presence of member agency specific programs. The

Marysville street sweeping service was projected to experience a revenue shortfall of approximately \$27,000 in RY 2006, resulting in an increase in the total revenue requirement for Marysville of 9.19 percent. Similarly, the rate application projected an additional revenue requirement of approximately \$35,000 for the Ponderosa Transfer Station which is a member agency specific program of Yuba County bringing the total percentage revenue requirement for Yuba County to 9.10 percent.

The third Indexed Application was submitted on May 1, 2006 for Rate Year 2007 (October 1, 2006 to September 30, 2007). The application calculated an indexed rate adjustment for RY 2007 of 2.39 percent. The franchise agreement amendments and associated rate structures that were adopted by the RWMA member jurisdictions for RY 2006 included provisions for an adjustment for the price of ultra-low-sulfur diesel fuel compared to the \$2.60 per gallon allowance established for Rate Year 2006. It was ultimately agreed that the 2007 Rates should be adjusted for the actual weighted fuel price for the period, October 1, 2005 through July 31, 2006, and then to incorporate any additional adjustments for the average fuel price through the end of the 2006 Rate Year in the 2008 Rate Year rate adjustment. The actual weighted average fuel price for the first tens months of Rate Year 2006 was \$2.79 per gallon--\$0.19 more than the allowance price--resulting in a rate adjustment of 0.41 percent in addition to the 2.39 percent.

The fifth Detailed Rate Application for Rate Year 2008 (October 1, 2007 to September 30, 2008) was submitted on March 30, 2007. This application calculated a projected revenue shortfall for RY 2008 of \$151,980, requiring a rate adjustment of 0.60 percent. As a result of the detailed review of the application and several discussions with YSDI personnel and the RWMA Administrators, some of the expenses and revenue projections for RY 2008 were adjusted. As a result, the revenue shortfall for RY 2008 was changed to a surplus of \$424,231 that would effectively reduce the base service rates by 1.68 percent. Rather than reducing the base region-wide service rates, the RWMA Administrators and YSDI agreed to recommend the establishment of a Rate Stabilization Fund with no change in base service rates. This fund is to be used to reduce future rate increases and/or to fund anticipated future capital improvements including stormwater management projects at YSDI's MRF/Transfer Station; improvements to Levee Road; and, improvements to the intersection of Levee Road and Highway 20.

Even with the Rate Stabilization Fund, due to the presence of member agency specific programs in Marysville and Yuba County, the service rates for these jurisdictions were still adjusted for RY 2008. The Marysville street sweeping service was projected to experience a revenue shortfall of \$45,622 in RY 2008 resulting in a rate increase request for Marysville of 1.95 percent. The Rate Application projected a reduction in the revenue requirement of \$54,545 for the Ponderosa Transfer Station which is a member agency specific program of Yuba County resulting in a rate reduction for Yuba County of 0.72 percent.

The fourth Indexed Application was submitted on April 7, 2008, for Rate Year 2009 (October 1, 2008 to September 30, 2009). The application calculated an indexed rate adjustment for RY 2009 of 3.31 percent. The franchise agreement amendments and associated rate structures that were adopted by the RWMA member jurisdictions for RY 2007 included provisions for an adjustment for the price of ultra-low-sulfur diesel fuel compared to the \$2.66 per gallon allowance established for Rate Year 2007. It was agreed that the 2008 Rates should be adjusted for the actual weighted fuel price for the period, October 1, 2006 through June 30, 2007, and then to incorporate any additional adjustments for the average fuel price through the end of the 2007 Rate Year in the 2009 Rate Year rate

adjustment. The actual weighted average fuel price for all of Rate Year 2007 was \$2.72 per gallon, and when compared to the \$2.66 allowance price, and resulted in a rate increase of 0.12 percent for Rate Year 2009 in addition to the 3.31 percent.

The franchise agreement amendments and associated rate structures that were adopted by the RWMA member jurisdictions for RY 2008 included provisions for an adjustment for the price of ultra-low-sulfur diesel fuel compared to the \$3.00 per gallon allowance established for Rate Year 2008. It was agreed that the 2009 Rates should be adjusted for the actual weighted fuel price for the period, October 1, 2007 through June 30, 2008, and then to incorporate any additional adjustments for the average fuel price through the end of the 2008 Rate Year in the 2009 Rate Year rate adjustment. The actual weighted average fuel price for the first nine months of Rate Year 2008 was \$3.72 per gallon, and when compared to the \$3.00 allowance price resulted in a rate increase of 1.24 percent for Rate Year 2009 in addition to the 3.31 percent.

Finally, it was agreed through franchise agreement amendments that the Rate Year 2009 fuel price allowance of \$3.10 per gallon that would have resulted from the indexed computation be increased to a \$4.00 per gallon fuel price allowance to reflect the then current higher fuel prices. This resulted in a 2.08 percent increase in the 2009 Rates in addition to the 3.31 percent. The total Rate Year 2009 rate adjustment was 6.75 percent.

RATE ADJUSTMENT APPLICATION EVALUATION REPORT FOR RY 2010

On March 31, 2009, YSDI submitted its tenth annual rate adjustment application to the RWMA and Member Agencies for Rate Year 2010 (October 1, 2009 to September 30, 2010) subject to the adopted Rate Adjustment Guidelines. Per the Rate Adjustment Guidelines, RY 2010 is a Detailed Rate Year. The application, which was prepared in general accordance with the Rate Adjustment Guidelines, calculated a projected revenue surplus for RY 2010 of \$15,482 requiring a rate reduction of 0.06 percent. A summary of the rate adjustment factors for the RY 2010 Rate Application is included on Table 2 in the attached Final Draft Report prepared by the R3 Consulting Group, Inc. The rate adjustment factors listed in Table 2 are expressed in terms of the variance in the RY 2010 projected figures submitted in the detailed rate application to the actual figures for RY 2008. As noted on this summary table, revenues from collection revenue are projected to increase slightly while the sale of diverted material and DOC payments and transfer station operations are expected to decrease significantly and result in an overall projected revenue decrease of 5.6 percent. Total operating expenses and pass-through expenses are projected to decrease respectively by 2.5 percent and 1.9 percent.

As a result of the detailed review of the application and several discussions with YSDI/Recology personnel and the RWMA Administrators, some of the expenses and revenue projections for RY 2010 were adjusted. As a result, the revenue surplus for RY 2010 has been changed to a surplus of \$1,028,410 that would effectively reduce the base service rates 4.22 percent. These changes are summarized in Table 3 of the attached Final Draft Report which presents the recommended changes compared to the rate adjustment application submitted by YSDI. These recommended changes have been reviewed and endorsed by the RWMA Administrators and agreed to by YSDI and are discussed in further detail in the text of the report and appendices.

The 4.22 percent rate decrease also includes the following adjustments for the price of diesel fuel which previously was made a separate adjustment in the franchise agreements between the jurisdictions and YSDI:

- For Rate Year 2008, a fuel price allowance of \$3.00 per gallon and a total of 513,805 gallons was established. The Rate Year 2009 service rates were adjusted to reflect the difference between the agreed to and weighted average of the actual fuel prices for the first nine months of Rate Year 2008 and resulted in a 1.24 percent increase. The Rate Year 2010 service rates are to be adjusted to reflect any difference between the rate adjustment implemented for the first nine months of Rate Year 2008 and the total adjustment calculated based on the fuel price difference for all of Rate Year 2008. The weighted average fuel price for all of Rate Year 2008 is \$3.815 per gallon and compared to the \$3.00 per gallon allowance price results in a net rate increase of 0.68 percent, after factoring in the adjustment already made for the first nine months of Rate Year 2008.
- For Rate Year 2009, the fuel price allowance was set at \$4.00 per gallon and the volume remained at the Rate Year 2008 amount, 513,805 gallons. The weighted average fuel price for the first nine months of Rate Year 2009 is \$2.229 per gallon and compared to the \$4.00 per gallon allowance price results in a net rate decrease of 3.28 percent. The Rate Year 2011 service rates will be adjusted to reflect any difference between the rate adjustment implemented for the first nine months of Rate Year 2009 and the total adjustment calculated based on the fuel price difference for all of Rate Year 2009, after factoring in the adjustment already made for the first nine months of Rate Year 2009.

Rather than reducing the base region-wide base service rates for Rate Year 2010 by 4.22 percent, the RWMA Administrators and YSDI have agreed to recommend the continuation of the Rate Stabilization Fund established beginning with the surplus generated by the Rate Year 2008 application. This fund is to be used to reduce future rate increases and/or to fund anticipated future capital improvements such as improvements to the intersection of Levee Road and Highway 20 and methane gas controls on the closed Marysville Landfill.

Due to the presence of member agency specific programs in Marysville and Yuba County, the service rates for these jurisdictions will still be adjusted for RY 2010. The Marysville street sweeping service is projected to experience a slight revenue surplus in RY 2010 resulting in a rate decrease for Marysville of 0.15 percent. The Ponderosa Transfer Station which is a member agency specific program of Yuba County is projected to experience a small increase in the revenue requirement in Rate Year 2010 resulting in a rate increase request for Yuba County of 0.38 percent.

THE NEXT STEPS

Assuming RWMA acceptance, the Final Evaluation Report will immediately be distributed to the RWMA jurisdictions along with model franchise amendment language for use in the consideration of rate structure adjustments. The Rate Adjustment Guidelines specify that the adjusted rate structures

be adopted by each of the RWMA jurisdictions by August 31st and be effective on October 1st each year. Meetings to consider the adoption of the adjusted rate structures and franchise amendments by City Councils and Boards of Supervisors have already been scheduled for early to mid-September and the effective date will still be October 1st.

Because the RWMA Board does not have rate setting authority, specific rate adjustments and fee schedules for individual member jurisdictions are not included in this report and this recommendation is for a region-wide rate adjustment percentage based on the detailed application and review and adjustments for fuel prices.

RWMA staff will be available at the Board meeting along with representatives of YSDI to review the evaluation report and the rate adjustment process in detail.

RECOMMENDATION: Accept the report and associated rate adjustment recommendations to the member jurisdictions as proposed.

**Review and Evaluation of
Yuba-Sutter Disposal Inc.'s
Fiscal Year 2010 Rate Adjustment
Application**

Final Report



Presented to

**Regional Waste Management
Authority**

August 10, 2009



R3 Consulting Group, Inc
4811 Chippendale Drive, Suite 708
Sacramento, CA 95841
Tel. 916-576-0306
Fax: 916-331-9600

www.r3cqi.com

August 10, 2009

Mr. Keith E. Martin
Administrator
Regional Waste Management Authority
2100 B. Street
Marysville, CA 95901

Subject: Final Report – Review of YSDI's FY 2010 Rate Application

Dear Mr. Martin:

R3 Consulting Group (R3) was engaged by the Regional Waste Management Authority (RWMA) to assist it with a review of Yuba-Sutter Disposal, Incorporated's (YSDI) Fiscal Year 2010 Rate Application. The object of the engagement was to review the Rate Application, recommend any appropriate adjustments to YSDI's projected revenues and expenses and recalculate the required rate adjustments for the RWMA's Member Agencies. The attached Final Report presents our findings and recommendations.

We wish to thank YSDI for its cooperation during our review, most notably Tom Norris, Regional Financial Manager. Mr. Norris provided us with requested information and supporting documentation in a complete and timely manner and worked cooperatively with us throughout the course of our review. We also wish to thank Alyson Burleigh of Aurora Environmental Inc. Ms. Burleigh assisted and supported our review and developed a number of the adjustments presented in our report.

* * * * *

We appreciate the opportunity to be of service to the RWMA. Please feel free to contact me or Ric Hutchinson at (916) 576-0306, or e-mail at wschoen@r3cqi.com or rhutchinson@r3cqi.com if you have any questions or comments regarding this submittal.

Sincerely,

R3 CONSULTING GROUP

William Schoen
Principal

Review of YSDI
2010 Rate
Application

Final Report

Introduction	1
Objectives	1
Summary Findings	2
Verification of Completeness of Application	2
Requested Rate Adjustment	2
Recommended Rate Adjustment.....	2
Methodology	3
Major Factors Impacting FY 2010	
Rate Adjustment	4
Lease Expense.....	4
Rate Stabilization Fund	4
FY 2008 Revenue Surplus	4
Recyclable Material Sales Revenues	4
Variance Analysis	4
FY 2008 Actual Results versus FY 2008 Projections	4
FY 2010 Projections versus FY 2008 Actual Results	6
Analysis of Projected Revenue and Expense Line Items	8
Revenues	8
Operating Expenses	10
Operating Margin.....	16
Pass-Through Expenses	16
Tables	
Table 1 Rate Year 2008 Actual Results Compared to Projections	5
Table 2 FY 2010 Projections Compared to FY 2008 Actual Results.....	7
Table 3 Recommended Adjustments to FY 2010 Rate Application	9
Appendices	
Appendix A Historical Paper Prices	
Appendix B RWMA CARB Emission Standards Compliance	
Appendix C RWMA Diesel Fuel Cost Adjustment	

R3

Review of YSDI
2010 Rate
Application

Final Report

This page intentionally left blank.

R3

Review of YSDI 2010 Rate Application Final Report

Introduction

R3 Consulting Group was retained by the Regional Waste Management Authority (RWMA) to review and evaluate the fiscal year (FY) 2010 Yuba-Sutter Disposal, Inc. (YSDI) Rate Adjustment Application. YSDI, a subsidiary of Recology (formerly known as Norcal Waste Systems, Inc.), is the exclusive franchisee for refuse collection, recycling, and disposal services within the RWMA-member jurisdictions.

The RWMA is a voluntary joint powers authority comprised of the Counties of Sutter and Yuba and the Cities of Live Oak, Marysville, Wheatland and Yuba City (Member Agencies). The RWMA is responsible for coordinating all solid waste program planning and reporting for these Member Agencies. RWMA staff also administers an annual rate adjustment process that the member jurisdictions have adopted to regulate the refuse collection rates for the jurisdictions. This rate adjustment methodology provides for indexed adjustments in odd-numbered fiscal years and detailed rate adjustments in even-numbered fiscal years (e.g., 2008).

YSDI also provides street sweeping services in the Cities of Marysville and Live Oak and refuse collection services for Beale Air Force Base. Each Member Agency has executed a separate franchise agreement with YSDI, but all of the agreements terminate on the same date (December 31, 2011) and share regional performance goals. The rate adjustment methodology was agreed to by YSDI through franchise agreement amendments with each Member Agency.

Most of the refuse and recyclable materials collected by YSDI is transported to its transfer station / material recovery facility (MRF) in Marysville. A small portion of the collected refuse, and all residue from the transfer station / MRF, is transported to the Ostrom Road Landfill near Wheatland for disposal. This facility is owned and operated by another Recology subsidiary. Green waste collected by YSDI is processed at its composting facility, which is adjacent to the Marysville transfer station / MRF.

Objectives

- To review YSDI's Rate Application (Application) to confirm that:
 - It is mathematically accurate and logically consistent;
 - It is consistent with applicable terms and conditions of the Franchise Agreement (Agreement) and Rate Adjustment Guidelines (Guidelines); and

R3

Review of YSDI 2010 Rate Application

Final Report

- The bases for its projections are reasonable and supported with appropriate documentation, as applicable.
- To recommend any appropriate adjustments to YSDI's projections and recalculate the associated revenue requirement and rate adjustment.

Summary Findings

Verification of the Completeness of Rate Application

Our review of the Application confirmed that it complied with the requirements of the Rate Adjustment Guidelines and was substantially complete.

Requested Rate Adjustment

YSDI's Application projected a FY 2010 net revenue surplus of approximately \$15,000, equivalent to a net rate reduction of 0.06%.¹ This does not account for the agreed upon adjustment for fuel price variance for the period July 2008 – June 2009, which will be calculated in July 2009. The net rate adjustment for the City of Marysville, accounting for the revenues and expense associated with the street sweeping program is a rate reduction of 0.14% (\$3,000 revenue surplus). The net requested rate adjustment for Yuba County, accounting for a projected net surplus associated with the Ponderosa Transfer Station is a rate increase of 0.32% (\$22,000 revenue shortfall).

Recommended Rate Adjustment

Based on our review and input from the RWMA we have recommended adjustments to the Application that result in a decrease of \$1,012,929 in expenses for a net FY 2010 projected revenue surplus of \$1,028,410. This is equivalent to a rate decrease of 4.22%. Included in these adjustments is a \$631,589 net adjustment for the FY 2008 and FY 2009 fuel allowances. As part of the rates for FY 2008 and FY 2009, the Company and the Member Agencies agreed to adjust for the variance in price between the actual weighted average fuel price paid and the agreed upon fuel allowance price. These adjustments are discussed on pages 12 and 13 of this report.

The recommended rate adjustment for the City of Marysville related to the revenue surplus for street sweeping as noted above is a 0.15% rate decrease. The recommended rate adjustment for

R3

¹ YSDI's cover letter to its Application incorrectly reported the reduction to the base service rates as 0.6% rather than the 0.06% supported by the Application.

Yuba County is a 0.38% rate increase related to the revenue shortfall noted above for the Ponderosa Transfer Facility.

Methodology

Our review of YSDI's Rate Application included, but was not limited to, the following tasks:

- Verified that the Rate Application complied with the terms and conditions of the Rate Adjustment Guidelines and that it was complete;
- Reconciled the Rate Application to YSDI's 2008 Financial Statement;
- Confirmed the mathematical accuracy of the Rate Application;
- Agreed summary schedules to supporting schedules and worksheets;
- Reviewed historical, actual and projected revenues and expenses;
- Reviewed assignment of revenues and expenses to franchised, Member Agency specific and non-franchised operations;
- Reviewed variances in actual versus projected revenues and expenses for FY 2008 and reviewed YSDI's explanations for significant variances;
- Obtained support for the assumptions used to project FY 2009 and FY 2010 line item revenues and expenses and reviewed that support for reasonableness;
- Confirmed the use of the allowed operating margin;
- Confirmed the accuracy of YSDI's calculated revenue requirement and associated rate adjustment;
- Developed recommended adjustments to YSDI's calculated revenue requirement;
- Reviewed recommended adjustments with YSDI representatives, and clarified outstanding issues; and
- Recalculated YSDI's revenue requirement and associated required rate adjustment based on our recommended adjustments.

Review of YSDI 2010 Rate Application

Final Report

R3

Review of YSDI 2010 Rate Application

Final Report

Major Factors Impacting FY 2010 Rate Adjustment

Lease Expense

The current Rate Application includes a projected reduction in Equipment Lease expense of \$1.062 million (32.6%). This is largely as a result of the expiration of various container and vehicle leases for equipment that is still in service related to the implementation of the 3-cart system. Those vehicles and containers will need to begin to be replaced in the next several years, which will add additional lease expenses to the rate base.

Rate Stabilization Fund

The FY 2010 rate adjustment accounts for the one time elimination of \$403,000 in expenses related to the rate stabilization fund.

FY 2008 Revenue Surplus

The FY 2010 rate adjustment accounts for the FY 2008 revenue surplus of \$228,000.

Recyclable Material Sales Revenues

The FY 2010 rate adjustment is impacted by the significant projected decrease in recyclable material sales revenues as a result of the dramatic decrease in commodity prices. To the extent that recyclable materials revenues increase over that projected by YSDI, future revenues would benefit accordingly.

Variance Analysis

FY 2008 Actual Results versus FY 2008 Projections

The previous detailed rate review was for FY 2008, and resulted in a reduction in the base service rates of 1.68%. A comparison of YSDI's actual results for FY 2008 with the projections in the previous rate application is provided in Table 1. As shown, YSDI realized a net revenue surplus of approximately \$228,000 in FY 2008, equivalent to a 0.96% rate decrease. While revenues were \$1.678 million less than projected, this was offset by expenses that were \$1.906 million less than projected.

Revenues

Overall revenues fell short of projections by \$1.678 million (5.4%). Collection revenues fell short of projections by approximately \$1.421 million (5.6%). Residential collection revenues fell short of projections by \$614,000 (4.8%), while commercial and debris box revenues fell short of projections by \$354,000 (4.2%) and \$454,000 (11.2%) respectively.

R3

Table 1
Rate Year 2008 Actual Results Compared to Projections

	FY 2008	FY 2008	Variance	
	Prior Year	Rate Year	Actual vs. Projected	
	Actuals	Adjusted	\$	%
		Projection		
Revenue				
Collection Revenue				
Residential	\$12,117,207	\$12,730,936	(\$613,729)	-4.8%
Commercial	\$8,041,541	\$8,395,339	(\$353,798)	-4.2%
Debris Box	\$3,617,724	\$4,072,080	(\$454,356)	-11.2%
Subtotal	\$23,776,472	\$25,198,355	(\$1,421,883)	-5.6%
Member Agency Specific Programs	\$0	\$0		
Sale of Diverted Material & DOC Payments	\$3,606,329	\$3,635,529	(\$29,200)	-0.8%
Transfer Station Operations	\$1,753,089	\$1,980,023	(\$226,934)	-11.5%
Other Income	\$0	\$0		
Total Revenue	\$29,135,890	\$30,813,907	(\$1,678,017)	-5.4%
Operating Expense				
Labor and Related Expense	\$9,799,322	\$10,791,638	(\$992,316)	-9.2%
Truck and Container Expense	\$3,632,401	\$3,979,044	(\$346,643)	-8.7%
Truck and Container Dept. Allocation	(\$198,830)	(\$217,369)	\$18,539	-8.5%
Insurance Expense	\$629,876	\$619,977	\$9,899	1.6%
Equipment Lease	\$3,254,608	\$3,313,524	(\$58,916)	-1.8%
Depreciation	\$348,890	\$340,416	\$8,474	2.5%
Amortization	\$0	\$0	\$0	
Recycling Material Purchases	\$637,412	\$560,166	\$77,246	13.8%
Transfer Station / MRF Operation	\$214,793	\$101,299	\$113,494	112.0%
Transfer Station / MRF Dept. Allocation	(\$573,660)	(\$274,036)	(\$299,624)	109.3%
Hazardous Waste Operations	\$0	\$0	\$0	
Other Operating Expense	\$465,473	\$381,803	\$83,670	21.9%
General & Administrative	\$1,272,930	\$1,280,695	(\$7,765)	-0.6%
General & Administrative Dept. Allocation	(\$170,525)	(\$151,550)	(\$18,975)	12.5%
Regional & Corporate Overhead/Charges	\$1,174,676	\$1,226,398	(\$51,722)	-4.2%
Regulatory (non pass-through)	\$732,389	\$827,268	(\$94,879)	-11.5%
Total Operating Expense	\$21,219,755	\$22,779,273	(\$1,559,518)	-6.8%
Operating Margin @ 90%	\$2,357,751	\$2,531,030	(\$173,279)	-6.8%
Pass-through Expense				
Disposal - Ostrom Road LF	\$3,614,468	\$3,559,241	\$55,227	1.6%
Green Waste Processing - Ostrom Road LF	\$123,129	\$281,426	(\$158,297)	-56.2%
Regulatory Fees (pass-through)	\$403,019	\$403,019	\$0	0.0%
Member Agency Fees (pass-through)	\$0	\$0	\$0	
Franchise Fees	\$1,189,485	\$1,259,918	(\$70,433)	-5.6%
Total Pass-through Expense	\$5,330,101	\$5,503,604	(\$173,503)	-3.2%
Total Revenue Requirement	\$28,907,607	\$30,813,907	(\$1,906,300)	-6.2%
Shortfall/(Surplus)	(\$228,283)	\$0		
Required Revenue Adjustments %	-0.96%	0.00%		

Note: Numbers may not add exactly due to rounding.

Review of YSDI 2010 Rate Application

Final Report

Recyclable material sales revenues fell short of projections by \$29,000 (0.8%) with revenues from transfer station operations falling short of projections by approximately \$227,000 (11.5%).

Expenses

FY 2008 actual expenses were approximately \$1.906 million less than projected (6.2%). Operating Expenses were \$1.56 million less than projected (6.8%). Labor and Related Expense, Truck and Container Expense and Transfer Station / MRF Department Allocations experienced the most significant variances with actual expenses less than projected by \$992,000 (9.2%), \$347,000 (8.7%) and \$300,000 (109.3%), respectively.

The reduced labor expense was due to a reduction in the work force in response to the decline in business and savings in workers compensation insurance due to improved claims experience. The reduction in Truck and Container Expense was largely due to reduced vehicle usage due to the decline in business. The reduced Transfer Station / MRF Department Allocation was due in large part to the allocation of MRF expenses to NWSBC, a sister company to YSDI that began delivering materials to the MRF for processing in mid 2007.

Pass-Through Expenses were \$174,000 (3.2%) less than projected, with Green Waste Processing expense \$158,000 (56.2%) less than projected as a result of the reduction of C&D materials disposed due to the decline in debris box and transfer station business.

Attachment 5 of the Application provides additional information on the variances between FY 2008 actual and projected results.

FY 2010 Projections versus FY 2008 Actual Results

Table 2 provides a comparison of YSDI's FY 2010 projections to the FY 2008 adjusted actual results. As shown, YSDI is projecting a net FY 2010 surplus of approximately \$15,000, equal to a 0.06% rate decrease.

Revenues

Collection Revenues are projected to increase by approximately \$593,000 or 2.5%. This projection accounts for the 6.8% rate increase received October 1, 2008 and the negative impact of projected lost business of 0.2%, 5.2% and 15.9% for residential, commercial and debris box service respectively. Revenue from the sale of recyclable material is projected to decrease by approximately \$1.772 million (49.1%), as a result of the recent collapse in the recycling markets. Overall, YSDI's Application reflects a net decrease in revenues of \$1.353 million (5.6%) for FY 2010 vs. FY 2008.

R3

Table 2
FY 2010 Projections Compared to FY 2008 Actual Results

	FY 2008 Adjusted Prior Year Actuals	FY 2010 Rate Year Projection	Impact on Rates Amount of Rate Increase / (Decrease)	
			\$	%
Revenues				
Collection Revenue	\$23,776,472	\$24,369,185	\$592,713	2.5%
Member Agency Specific Programs	\$0	\$0	\$0	
Sale of Diverted Material & DOC Payments	\$3,606,329	\$1,834,403	(\$1,771,926)	-49.1%
Transfer Station Operations	\$1,753,089	\$1,579,682	(\$173,407)	-9.9%
Other Income	\$0	\$0	\$0	
Total Revenue	\$29,135,890	\$27,783,270	(1,352,620)	-5.6%
Operating Expense				
Labor and Related Expense	\$9,799,322	\$10,641,997	\$842,675	8.6%
Truck and Container Expense	\$3,632,401	\$3,047,862	(\$584,539)	-16.1%
Truck and Container Dept. Allocation	(\$198,830)	(\$182,458)	\$16,372	-8.2%
Insurance Expense	\$629,876	\$629,876	\$0	0.0%
Equipment Lease	\$3,254,608	\$2,192,690	(\$1,061,918)	-32.6%
Depreciation	\$348,890	\$364,380	\$15,490	4.4%
Amortization	\$0	\$0	\$0	
Recycling Material Purchases	\$637,412	\$591,616	(\$45,796)	-7.2%
Transfer Station / MRF Operation	\$214,793	\$214,793	\$0	0.0%
Transfer Station / MRF Dept. Allocation	(\$573,660)	(\$586,755)	(\$13,095)	2.3%
Hazardous Waste Operations	\$0	\$0	\$0	
Other Operating Expense	\$465,473	\$506,621	\$41,148	8.8%
General & Administrative	\$1,272,930	\$1,308,770	\$35,840	2.8%
General & Administrative Dept. Allocation	(\$170,525)	(\$177,929)	(\$7,404)	4.3%
Regional & Corporate Overhead/Charges	\$1,174,676	\$1,202,931	\$28,255	2.4%
Regulatory (non pass-through)	\$732,389	\$852,106	\$119,717	16.3%
Total Operating Expense	\$21,219,755	\$20,606,500	(\$613,255)	-2.5%
Operating Margin @ 90%	\$2,357,751	\$2,289,611	(\$68,140)	-0.3%
Pass-through Expense				
Disposal - Ostrom Road LF	\$3,614,468	\$3,549,329	(\$65,139)	-1.8%
Green Waste Processing - Ostrom Road LF	\$123,129	\$104,664	(\$18,465)	-15.0%
Regulatory Fees (pass-through)	\$403,019	\$0	(\$403,019)	-100.0%
Member Agency Fees (pass-through)	\$0	\$0	\$0	
Franchise Fees	\$1,189,485	\$1,217,685	\$28,200	2.4%
Total Pass-through Expense	\$5,330,101	\$4,871,678	(\$458,423)	-1.9%
Total Revenue Requirement	\$28,907,607	\$27,767,789	(\$1,139,818)	-4.7%
Subtotal Shortfall/(Surplus)	(\$228,283)	(\$15,481)	\$212,802	0.9%
Prior Year Shortfall/(Surplus)			(\$228,283)	-0.9%
Total Shortfall/(Surplus)			(\$15,481)	-0.06%

Note: Numbers may not add exactly due to rounding.

Review of YSDI 2010 Rate Application

Final Report

R3

Expenses

FY 2010 Operating Expenses are projected to be approximately \$613,000 (2.5%) less than FY 2008 expenses. The most significant expense reductions are associated with Equipment Lease and Truck and Container Expense which are projected to decrease by approximately \$1.062 million (33%) and \$585,000 (16%) respectively. YSDI reported that the decrease in Equipment Lease expense is largely attributed the timing of truck and container purchases associated with the implementation of the 3-cart system. The leases for those containers and vehicles are expiring, although the equipment is still in service.

While the ratepayers are realizing the net benefit of this factor for the current rate period, as that equipment requires replacing in the future there will be a corresponding increase in lease expense. The projected reduction in Truck and Container Expense is largely due to projected fuel cost savings.

Pass-Through Expenses are projected to decrease by \$458,000 (1.9%). This is largely the result of the elimination of the rate stabilization fund surcharge (\$403,000) that was implemented following the FY 2008 detailed rate review in lieu of the calculated rate decrease to fund improvements to Levee Road and the Levee Road/Highway 20 intersection. Disposal expenses and Green Waste Processing costs are also projected to decrease by \$65,000 and \$18,000 respectively as a result of projected decreased tonnages.

Analysis of Projected Revenue and Expense Line Items

Table 3 provides a summary of our recommended adjustments. As shown, our total adjustments result in a projected net FY 2010 revenue surplus of \$1,028,410, equal to a decrease in the base service rates of 4.22%. A discussion of YSDI's individual revenue and expense line item projections is provided below along with our recommended adjustments.

Revenues

Collection Revenue

Overall, Collection Revenue was projected to increase by approximately \$596,000 (2.5%). This projected increase is a combination of the impact of the 6.8% rate increase received October 1, 2008 and projected revenue decreases of 0.2%, 5.2% and 15.9% for residential, commercial and roll-off services respectively due to lost business based on year-to-date trends.

Adjustment – No adjustment

Table 3
Recommended Adjustments to FY 2010 Rate Application

	FY 2010 Rate Year Projection	Adjustments	FY 2010 Adjusted Amount
Revenues			
Collection Revenue	\$24,369,185		\$24,369,185
Member Agency Specific Programs	\$0		\$0
Sale of Diverted Material & DOC Payments	\$1,834,403		\$1,834,403
Transfer Station Operations	\$1,579,682		\$1,579,682
Other Income	\$0		\$0
Total Revenue	\$27,783,270	\$0	\$27,783,270
Operating Expense			
Labor and Related Expense	\$10,641,997	(\$102,054)	\$10,539,943
Truck and Container Expense	\$3,047,862	(\$661,025)	\$2,386,837
Truck and Container Dept. Allocation	(\$182,458)		(\$182,458)
Insurance Expense	\$629,876		\$629,876
Equipment Lease	\$2,192,690	35,865	\$2,228,555
Depreciation	\$364,380		\$364,380
Amortization	\$0		\$0
Recycling Material Purchases	\$591,616		\$591,616
Transfer Station / MRF Operation	\$214,793		\$214,793
Transfer Station / MRF Dept. Allocation	(\$586,755)		(\$586,755)
Hazardous Waste Operations	\$0		\$0
Other Operating Expense	\$506,621	(\$3,600)	\$503,021
General & Administrative	\$1,308,770		\$1,308,770
General & Administrative Dept. Allocation	(\$177,929)		(\$177,929)
Regional & Corporate Overhead/Charges	\$1,202,931		\$1,202,931
Regulatory (non pass-through)	\$852,106	(\$42,210)	\$809,896
Total Operating Expense	\$20,606,500	(\$773,024)	\$19,833,476
Operating Margin @ 90%	\$2,289,611	(\$85,891)	\$2,203,720
Pass-through Expense			
Disposal - Ostrom Road LF	\$3,549,329	(\$103,368)	\$3,445,961
Green Waste Processing - Ostrom Road LF	\$104,664		\$104,664
Regulatory Fees (pass-through)	\$0		\$0
Member Agency Fees (pass-through)	\$0		\$0
Franchise Fees	\$1,217,685	(\$50,646)	\$1,167,039
Total Pass-through Expense	\$4,871,678	(\$154,014)	\$4,717,664
Total Revenue Requirement	\$27,767,789	(\$1,012,929)	\$26,754,860
Subtotal Shortfall/(Surplus)	(\$15,481)	(\$1,012,929)	(\$1,028,410)
Required Rate Adjustment	-0.06%		-4.22%

Note: Numbers may not add exactly due to rounding.

Review of YSDI 2010 Rate Application

Final Report

R3

Sale of Diverted Material and DOC Payments

Revenues associated with the sale of recyclables were reduced by approximately \$1.772 million (49.1%), largely as a result of reduced commodity prices. Appendix A provides historical data on recycled paper (fiber) prices. YSDI's projections are based on results through December 2008, which coincide with the lowest recent market price. Since that time prices have begun to increase. We have no basis for predicting what might happen to commodity prices over the next several years, but given the recent unprecedented volatility and the significance that volatility has had on recyclable material sales revenues the RWMA and YSDI may wish to consider a balancing account for this line item in future franchise agreements.

Adjustment – No adjustment

Transfer Station Operations

Transfer Station Operations revenues were projected to decrease by approximately \$173,000 (9.9%). This rate decrease is the result of the 6.8% October 1, 2008 rate increase with offsetting revenue reductions of 10% due to lost volume, including a \$173,000 reduction in FY 2008 revenues to adjust for a revenue spike in February and March 2008 resulting from the January 4, 2008 storm and related wind damage repair and clean-up activities.

Adjustment – No adjustment

Other Income

FY 2008 Revenues of approximately \$13,000 associated with interest charged on delinquent accounts and other miscellaneous non-regulated revenues were removed.

Adjustment – No adjustment

Operating Expenses

Standard Expense Escalation

Other than wages and benefits, expenses were not escalated for FY 2009 and FY 2010 consistent with the change in the Consumer Price Index - All Urban Consumers West index for December 2007 to December 2008 (-0.02%).

Adjustment – No adjustment

Labor and Related Expense

Labor and Related Expenses were projected to increase by \$843,000 (8.6%) between FY 2008 and FY 2010. YSDI's projections account for, among other things, staffing reductions as a result of lost business, the elimination of employee stock

Review of YSDI 2010 Rate Application

Final Report

ownership plan (ESOP) expenses, contractually obligated union wage and benefit increases and projected wage and benefit increases for non-union staff.

Union Health – YSDI projected Union Health & Welfare expense at a 3.9% increase for FY 2009 and 10.6% for FY 2010. The FY 2010 projection assumes the maximum 12% increase allowed by the Union contract (the net increase of 10.6% is based on the timing of the increase). While YSDI experienced major increases in Health and Welfare expense in 2003 and 2004, over the last several years those increases have been much more moderate.

Rather than use YSDI's assumed 12% maximum increase for FY 2010 we have assumed the average increase for 2003 through 2008 which resulted in a revised 2010 projected increase of 7.7%, a net overall reduction of approximately \$38,000. There are also minor corresponding reductions to Marysville Street Sweeping (\$327).

Non-Union Labor Expense - The Company provided an updated Non-Union Labor Expense for FY 2009 reflecting the actual change in that expense, which was approximately \$3,000 less than originally projected.

Non-Union Health Expense – The Company updated its non-Union Health Expense projection for FY 2009 based on year to date actual data. That analysis resulted in a reduction in the FY 2010 non-Union Health expense of approximately \$59,000.

Adjustments

- *Reduce FY 2010 projected Workers Compensation expense by \$1,345 to correct an error in the original calculation.*
- *Reduce FY 2010 Union Health expense by \$37,623 to reflect the average increase in this line item for 2003 through 2008 of 7.7% rather than YSDI's assumed 12% maximum allowed.*
- *Reduced the projected Non-Union labor expenses by \$3,438 to reflect the actual change in the 2009 labor expense which was slightly less than YSDI's original projection. Corresponding reductions of \$295 to Non-Union Payroll Tax and \$411 to Non-Union Pension expense were also made.*
- *Reduce FY 2010 non-Union Health expense by \$58,942 to reflect updated projection based on year to date expenses.*

Total Base Service Rate adjustment = \$102,054

R3

Review of YSDI 2010 Rate Application

Final Report

Truck and Container Expense

Truck and Container Expenses were projected to decrease by \$585,000 (16.1%) between 2008 and 2010. This reduction is largely due to decreased fuel costs of approximately \$525,000. In addition, expenses were reduced by approximately \$61,000 for reduced roll-off and transfer trailer operations due to lost business.

Based on our review the following adjustments were made at the direction of the RWMA:

- The projected number of gallons for RWMA activities was reduced by 31,128 gallons for FY 2009 and FY 2010 to reflect the difference between the number of gallons for RWMA activities projected for FY 2010 (459,189 gallons) and the volume of fuel purchased in the first nine months of FY 2009 for RWMA activities, prorated for a full 12 month period (428,060 gallons) equivalent to a reduction in the projected expense of \$82,491; and
- The projected price per gallon was decreased by nine cents to reflect the weighted average impact of the fuel tax rebate associated with off-road vehicles, equivalent to a reduction in the projected expense of \$38,525.

Rate Year 2010 Fuel Expense Projection - Fuel costs for FY 2009 were projected to be reduced by \$628,000 (~33% of Fuel and Oil line item expense), which is generally consistent with YSDI's average reported change in per gallon costs (\$3.81 in 2008 vs. \$2.44 for 2009 [36%] based on prices for the first quarter). YSDI reported that "While fuel prices have dropped even further we anticipate this average (\$2.44) will hold for the year because the price of a barrel of oil is rising and fuel prices tend to climb during summer months."

For purposes of projecting the 2010 fuel expense YSDI started with a projected price per gallon of \$2.55 as reported by the Energy Information Administration. It then increased this amount by \$0.10 to \$2.65 based on its representation that historical fuel prices in California are \$0.10 to \$0.40 higher than the national average. This projected 2010 cost is 8.6% higher than the projected 2009 cost of \$2.44. To assess the reasonableness of this projection we compared the Energy Information Administration's estimated cost per gallon for 2010 to 2009, which reflects a projected 9.7% price increase, generally consistent with YSDI's estimate.

Adjustment – We reduced YSDI's Truck and Container Expense by \$121,016 to reflect the adjustments to the projected number of gallons of diesel fuel and the \$0.09 reduction in the per gallon price discussed above.

R3

Review of YSDI 2010 Rate Application Final Report

Fuel Allowance Adjustments

Because of the recent historical volatility in fuel prices and the ongoing challenge of accurately projecting fuel prices for a two-year period as part of the rate adjustment process beginning 6-months in the future (i.e., October 2010) the RWMA and YSDI have been using a balancing account. Under this methodology weighted average fuel prices are multiplied by the fuel volume allowance in terms of gallons purchased and rates adjusted to reflect the difference.

Rate Year 2008 Fuel Allowance Adjustment

Adjustment - Truck and Container expense was increased by \$142,452 to true-up the Rate Year 2008 Fuel Allowance based on calculations provide by the RWMA.

Rate Year 2009 Fuel Allowance Adjustment

Adjustment - Truck and Container expense was decreased by \$682,461 to true-up the Rate Year 2009 Fuel Allowance based on calculations provide by the RWMA.

Total Base Service Rate adjustment = \$661,025

Truck and Container Department Allocation

Truck and Container Department expenses of \$182,000 were allocated to non-RWMA activities. This represents a reduction of \$16,000 (8.2%) in the amount allocated to non-RWMA activities in FY 2010 as compared to FY 2008.

Adjustment – No adjustment

Insurance Expense

The 2010 Insurance Expense was projected at the FY 2008 actual amount without adjustment (i.e., 0.0% CPI adjustment).

Adjustment – No adjustment

Equipment Lease

Equipment Lease expense is projected to decrease by \$1.062 million (32.6%) largely as a result of the expiration of various container and vehicle leases for equipment that are still in service.

Adjustments - Equipment Lease expense was increased by \$35,865 to reflect the combined impact of increased lease expenses of \$42,007 for diesel particulate filters not included on the original lease schedule and a credit of \$6,142 for diesel particulate filters on vehicles transferred out of the YSDI fleet.

Note: During the course of the rate review an issue was raised by the RWMA regarding differences in the specific lease

R3

Review of YSDI 2010 Rate Application

Final Report

items that were projected during the last detailed rate review for FY 2008 and those leases that were actually executed. The rate adjustment guidelines do not provide for any related retroactive adjustments, although additional review of this issue specifically, tracking and potentially making adjustments to future rate applications to reflect actual versus projected Equipment Lease expense may be appropriate.

Depreciation

Depreciation expense was projected to increase by approximately \$15,000 (4.4%) to agree with YSDI's depreciation schedule.

Adjustment – No adjustment

Recycling Material Purchases

Recycled Material Purchases expense was projected to decrease by \$46,000 (7.2%) due to reduced tonnage and scrap value.

Adjustment – No adjustment.

Transfer Station / MRF Operation

Transfer Station / MRF Operation expenses for FY 2010 were projected at the same amount as FY 2008 (\$215,000).

Adjustment – No adjustment

Transfer Station / MRF Department Allocation

Transfer Station / MRF Department expenses were allocated to Refuse Collection services, the Ponderosa Transfer Station and non-RWMA activities for its collection services based on MSW tons.

Note: In mid 2007 a Recology subsidiary to YSDI, Norcal Waste Systems of Butte County (NWSBC), started bringing curbside and source separated materials to the MRF for processing. YSDI's FY 2010 projections account for a per ton rate charged to NWSBC for both the curbside and source separated materials that is based on allocation of labor, capital and operating and maintenance costs.

A total of \$587,000 of Transfer Station / MRF expenses were allocated to non-RWMA activities in FY 2010. This represents an increase of \$13,000 (2.3%) in the amount allocated to non-RWMA activities in FY 2010 as compared to FY 2008. Of this total allocation, \$404,000 was allocated to NWSBC for curbside and source separated material that was delivered to the MRF for processing.

Adjustment – No adjustment

R3

Review of YSDI 2010 Rate Application

Final Report

Hazardous Waste Operations

No expenses were reported for this line item.

Adjustment – No adjustment

Other Operating Expense

YSDI increased operating expenses by approximately \$41,000 (8.8%) to account for the impact of the April 1, 2009 1.0% State sales tax rate increase.

Adjustments – *At the direction of RWMA Other Operating expenses have been reduced by \$3,600 as a credit for a \$300 YSDI monthly expense for a pay station in Live Oak that was discontinued.*

General & Administrative

General and Administrative expense is projected to increase by approximately \$36,000 (2.8%) due to the impact of postage rate increases and additional property taxes on MRF and facility improvements.

Adjustment – No adjustment

General & Administrative Department Allocation

General & Administrative expenses are allocated to RWMA collection, transfer station / MRF operation and Recycling based on actual FY 2008 revenue and projected revenues in FY 2009 and FY 2010. A total of \$178,000 of FY 2010 General and Administrative expenses were allocated to non-RWMA activities, an increase of \$7,000 (4.3%) as compared to FY 2008.

Adjustment – No adjustment

Regional & Corporate Overhead / Charges

Regional & Corporate Overhead / Charges are projected to increase by approximately \$28,000 (2.4%) for FY 2010 versus FY 2008. FY 2009 expenses were reduced by \$7,000 based on year-to-date charges, while FY 2010 allocations were projected to increase by 3.0%. YSDI provided documentation for these charges that included a description of various overhead charges and the basis for their allocations.

Adjustment – No adjustment

Regulatory (non-pass-through)

Non pass-through Regulatory expenses were projected to increase by approximately \$120,000 (16.3%). The Marysville (host) fee was projected to decrease by \$49,000 to reflect the projected decrease in tonnage to the transfer station for FY 2009. FY 2010 expenses were then increased by \$169,000 to account

R3

Review of YSDI 2010 Rate Application

Final Report

for increased post-closure expenses of \$127,000 due to a change in the regulation, and \$42,000 to fund a projected \$84,000 shortfall in the work on Highway 20 over the two-year rate cycle.

Adjustment – Eliminate the projected \$42,210 from the rate adjustment because the RWMA and YSDI have agreed to continue the Rate Stabilization Fund which is designated to cover this type of expenditure.

Operating Margin

Adjustment - YSDI's Operating Margin was decreased by \$85,891 to reflect the impact of the adjustments to the Operating Expenses reported above.

Pass-Through Expenses

Disposal Expense – Ostrom Road Landfill

The Rate Adjustment Guidelines require that the RWMA be charged a rate at the Ostrom Road Landfill no higher than the rate charged to non-RWMA members ("most favored nation"). YSDI provided a copy of the internal price sheet and other documentation for Ostrom Road Landfill to support that the RWMA is currently charged no more than non-RWMA users of the landfill.

Disposal expense was reduced by \$65,000 (1.8%). FY 2009 Disposal expense was reduced by \$169,000 to account for a projected decrease of 11,401 tons based on December year-to-date volumes and the increased tipping fee (\$27.67 per ton). FY 2010 Disposal expense was increased by \$103,000 reflecting a projected increase of \$0.83 (3.0%) in the tip fee.

The California CPI-W, which is the benchmark that the Ostrom Road Landfill uses for non-RWMA adjustments to the tipping fee, had trended in excess of 3.0% throughout 2008. That benchmark, which is reported bimonthly, has since trended downward. Reflecting the most recent data the FY 2010 disposal expense has been set at the FY 2009 projected amount resulting in a reduction of approximately \$103,000. Accordingly, the FY 2010 tipping fee has been set at \$27.67 per ton)

Adjustment – Decrease FY 2010 Disposal Expense by \$103,368

Green Waste Processing – Ostrom Road Landfill

Green Waste Processing expenses were reduced by \$18,000 (15.0%). FY 2009 expenses were reduced by \$21,000 to account for the net impact of reduced tonnages and increased tipping fee.

R3

Review of YSDI 2010 Rate Application

Final Report

The FY 2010 expense was increased by \$3,000 to account for a projected tipping fee increase.

Adjustment – No adjustment

Regulatory Fees

Pass-through Regulatory Fees were reduced by \$403,000, reflecting discontinuation of the rate stabilization fund surcharge established in FY 2008 to fund improvements to Levee Road and the Levee Road/Highway 20 Intersection.²

Adjustment – No adjustment

Member Agency Fees

No expense reported.

Adjustment – No adjustment

Franchise Fees

Franchise fees are charged at the rate of 5.0% of collection revenues. YSDI projected FY 2010 franchise fees using the FY 2010 projected revenue adjusted for the projected revenues surplus multiplied by the franchise fee rate of 5.0%.

Adjustment - Franchise Fees were decreased by \$50,646 to reflect the impact of the adjustments to the Operating Expenses reported above.

² The FY 2008 rate package resulted in a rate decrease. Rather than reduce rates the jurisdictions decided to establish the surcharge to provide for anticipated roadway improvements.

R3

Appendix A

Historical Paper Prices

Appendix A

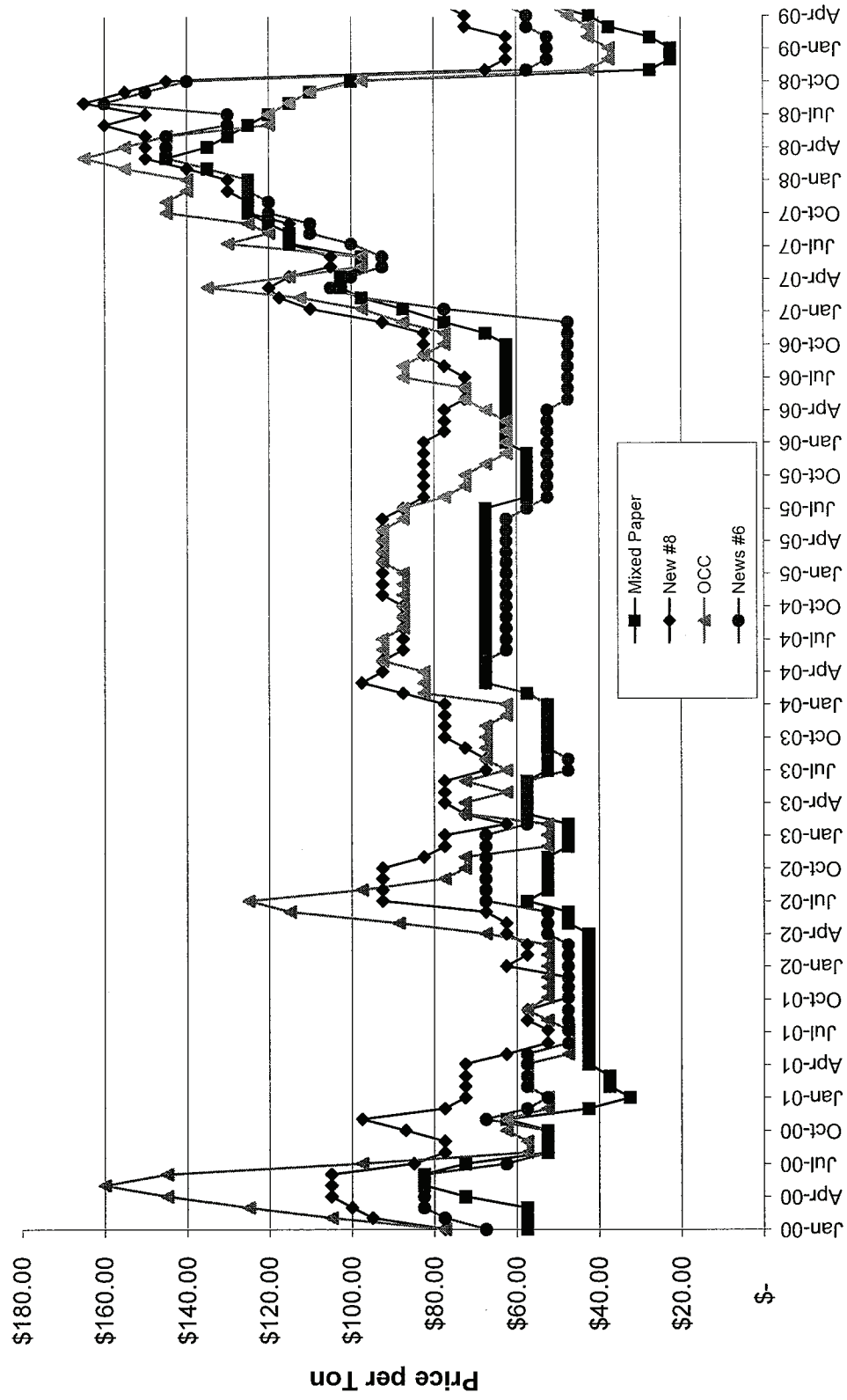
R3

Appendix A

HISTORICAL TRANSACTED PAPER STOCK PRICES

OFFICIAL BOARD MARKETS

SAN FRANCISCO



Appendix B

RWMA CARB Emission Standards Compliance

Appendix B

R3

AURORA

ENVIRONMENTAL, INC.

June 3, 2009

Keith Martin, Administrator
Regional Waste Management Authority
2100 B Street
Marysville, California 95901

Re: YSDI Rate Year 2010 Detailed Rate Application – Review Relative to Diesel Engine Particulate Matter Control Retrofits Required by the California Air Resources Board Rules

Dear Keith:

This letter presents the results of the review of YSDI's Rate Year 2010 Detailed Rate Application relative to the California Air Resources Board (CARB) Rule pertaining to diesel engine particulate matter control retrofit requirements and the franchise agreement amendments adopted by each of the six member jurisdictions for rates effective October 1, 2005.

1. Supplemental information submitted relative to the Rate Year 2010 Detailed Rate Application includes the costs for the retrofit of 20 additional solid waste collection vehicles during 2009 and 2010. These 20 vehicles are classified by the CARB Rule as Group 3 vehicles based on their engine model years of 2003 to 2006. The CARB Rule requires that 50% of the total Group 3 vehicles in the fleet as of January 1, 2009 be retrofitted by December 31, 2009, and that 100% of the total Group 3 vehicles in the fleet as of January 1, 2010 be retrofitted by December 31, 2010.

YSDI provided the attached quotes for the retrofitting of these vehicles with the Cleaire Horizon unit at a cost of about \$15,000 each and indicated that this is the only system certified at this time for this group. YSDI also indicated that there are more systems pending certification but these units will probably require a higher temperature exhaust than the trucks produce on the routes, and therefore YSDI is recommending that the cost for the Cleaire Horizon units be added to the lease costs in the rate package.

2. The service rates that became effective October 1, 2005 provided for the retrofit of 16 solid waste collection vehicles in Rate Year 2006 and another 16 solid waste collection vehicles in Rate Year 2007. The franchise agreement amendments specify that YSDI shall provide the vehicle identification numbers of the retrofitted vehicles within 30 days of their retrofit dates. YSDI has not been providing this information within 30 days of the vehicle retrofit dates. An Emission Retrofit Plan was provided during the course of the review of the Rate Year 2010 Detailed Rate Application and only provides the calendar year in which the retrofits were performed or are scheduled to be performed.
3. There are three vehicles (Vehicle Identification Numbers 4V2DCFJE2KU502457, 4V2DCFMD1LU506441 and 4V2DMFMD4SN702623) specifically identified in the franchise agreement amendments that if removed from the fleet, for any reason, prior to the expiration date of the agreement would require that the remaining retrofit costs be credited back to the rate payers on a pro-rated basis. One of these three vehicles, VIN 4V2DCFJE2KU502457, was removed from the YSDI fleet as of November 1, 2006, although this was not noted on the Emissions Retrofit Plan submitted in support of the Rate

Year 2008 Detailed Rate Application. The cost to retrofit this vehicle in December 2004 was \$2,627.63 and was in service for 23 months out of a 96-month life. Therefore, the adjustment back to the rate payers is:

Adjustment to be spread over the 2010 and 2011 rates	<u>\$1,998.37</u>
Annual Adjustment	<u>\$999.19</u>
Operating Margin on Annual Adjustment	<u>\$111.02</u>
Franchise Fees	<u>\$58.43</u>
Annual Adjustment with Operating Margin & Franchise Fees	<u>\$1,168.64</u>


4. The franchise agreement amendments for the service rates that became effective October 1, 2005 specified that if any of the other retrofitted vehicles are removed, for any reason, from the active YSDI fleet within five years of the date of retrofit, YSDI will credit the remaining pro-rated lease cost (from the removal date to the effective date of the next detailed rate application) of that vehicle's retrofit back to the rate payers in the next detailed rate application, including the operating margin charged on these costs. In the service rates for Rate Years 2008 and 2009, credits to the rate payers were provided for four (4) vehicles that were retrofitted and then removed or transferred from the YSDI fleet.

Five (5) vehicles that were retrofitted and then removed or transferred from the YSDI fleet since the effective date of the Rate Year 2008 rates have been identified. The following chart documents these vehicles and the amount to be credited to the rate payers in the Rate Year 2010 and Rate Year 2011 rates.

Truck Number	Transfer Date	Months Adjustment	Monthly Lease	Total for Fiscal Year
13035	3/31/08	18	\$121.62	\$2,189.16
11005	9/30/08	12	\$125.91	\$1,510.92
11008	7/31/08	14	\$125.91	\$1,762.74
11041	12/1/07	22	\$117.65	\$2,588.30
13033	2/29/08	19	\$117.65	<u>\$2,235.35</u>
Adjustment to be spread over the 2010 and 2011 rates				<u>\$10,286.47</u>
Annual Adjustment				<u>\$5,143.24</u>
Operating Margin on Annual Adjustment				<u>\$571.47</u>
Franchise Fees				<u>\$300.77</u>
Annual Adjustment with Operating Margin & Franchise Fees				<u>\$6,015.48</u>

Please let me know if you have any questions.

Sincerely,


Alyson Burleigh
President

Enclosure

cc. William Schoen, R3 Consulting Group, Inc.



Quote # 1211116

Page 1 of 2

Customer Norcal Waste

Name Maria Diaz
Address 160 Pacific Avenue, Suite 200
City San Francisco State Ca ZIP 94111
Phone 415 875-1108, Fax 415 875-1115
Email mdiaz@norcalwaste.com

Date 4/8/2009
Order No.
Rep Bob Towle
FOB

Qty	Description	Unit Price	TOTAL
ESTIMATED PRICING ONLY - PENDING VEHICLE ASSESSMENT RESULTS			
1	<u>Vehicle Assessments</u> Assessments by Emission Service Team to determine BACT and exhaust system configuration for each vehicle.	\$ 170.00	\$ 170.00
1	<u>Cleaire Horizon M Electrical Regenerated DPF (Active System)</u> Cleaire Horizon DPF (up to 370HP) - Vehicle #13168	\$ 11,110.00	\$ 11,110.00
1	Installation	\$ 2,230.00	\$ 2,230.00
1	Installation Parts Kit - brackets, tubing, hardware, etc. (per vehicle)	\$ 475.00	\$ 475.00
	<u>Optional</u> Connector cord - 25'	\$ 450.00	
	OR Connector cord - 50'	\$ 685.00	

Please Refer to Page 2 for Acceptance of Terms and Conditions

Payment Net 30

Tax Rate(s)

SubTotal	\$ 13,985.00
Shipping	
9.50%	\$ 1,100.58
TOTAL	\$ 15,085.58

Comments

Name

CC #

Expires

Office Use Only

2535 Anselmo Drive, Corona, CA 92879 (951) 735-3710 Fax: (951) 734-5833



June 2, 2009

Bennie Anselmo
Vice President
Norcal Waste Systems Inc.
50 California St. 24th Floor
San Francisco, CA 94111

Dear Bennie,

Cummins West Inc. is a certified installation dealer for the Cleaire Horizon System that is a CARB verified Level 3 device for use on Cummins ISM EGR engines, model years 2003-2006.

Thanks for your interest in the Cummins West – Cleaire emission reduction products.

Regards,

Mike Murphy
Cummins West Inc.

Cummins West, Inc.
14775 Wicks Blvd.
San Leandro, CA 94577
Phone 510 351 6101
west.cummins.com

Service Locations: Arcata, Bakersfield, Fresno, Redding
W. Sacramento - CA



Wicks

Cummins West, Inc.

Cummins West, Inc.
14775 Wicks Blvd.
San Leandro, CA 94577
Mike Murphy
Phone 415-860-6332
Fax 510-347-6170
Email Mike.C.Murphy@Cummins.com

QUOTE NUMBER 7MPM39966Yuba Sutter Disposal Inc.

DATE: June 2, 2009

CUSTOMER ID: 0

Quote valid for: 90 Days

TO: Yuba Sutter Disposal Inc.

Attn: Bennie Anselmo

0

Marysville, Ca

0

Vehicle Information

Unit Number :	13168	Engine Year :	0
Truck Year :	0	Engine Make :	0
Truck Make :	0	Engine Model :	0
Truck Model :	0	Engine Hp :	0
		Engine Serial Number :	0
		Engine Family No :	0

Line	QTY	ITEM	DESCRIPTION	UNIT PRICE	LINE TOTAL
1	1	Cleaire Horizon	Electrically Regenerated Diesel Particulate Filter	\$11,100.00	\$ 11,100.00
			Misc Parts per device	\$ 200.00	\$ 200.00

Total Parts Estimate: \$ 11,300.00

Labor Estimate: \$ 2,500.00

Non-Taxable Misc Items N/A \$0

N/A \$0

N/A \$0

SUBTOTAL \$ 13,800.00

Sales Tax % 8.750%

SALES TAX \$ 988.75

TOTAL \$ 14,788.75

Vehicle can be expected to be at Cummins West for: 3 Days

Note: There is no charge for the electrical plug or cord.

DEVICE INFORMATION:

Cleaire Horizon

CARB Executive Order: DE-05-010-03

CARB VDECS Family: CA/CLE/2005/PM3+/N00/ON/DPF01

PM Reduction: 85%

Nox Reduction: 0%

Requirements: Access to 208v or 240v electricity for regeneration of DPF. Regeneration intervals vary based upon age and condition of engine.

Warranty: 5 Years /150,000 Miles on emission reduction system elements

Please Note:

In addition to the requirements listed for each device. Vehicles must meet ALL requirements outlined in the executive order referenced for each device. Cummins West will not install retrofit technology on vehicles unless all requirements are met and the engine family number of the vehicle is listed in the attachments to the executive order. Contact the salesman listed above to receive a copy of the CARB executive order.

Thank you for considering Cummins West

Appendix C

RWMA Diesel Fuel Cost Adjustment

Appendix C

R3

AURORA

ENVIRONMENTAL, INC.

July 8, 2009

Keith Martin, Administrator
Regional Waste Management Authority
2100 B Street
Marysville, California 95901

Re: YSDI Rate Year 2010 Detailed Rate Application – Review Relative to Fuel Allowances and Adjustments for Actual Fuel Prices for Rate Year 2008 and Rate Year 2009 (through June 2009) and Fuel Allowances for Rate Year 2010 and Rate Year 2011

Dear Keith:

This letter summarizes the adjustments to YSDI's Rate Year 2010 Detailed Rate Application relative to the fuel allowances and actual fuel prices for Rate Year 2008 and actual fuel prices for Rate Year 2009 (through June 2009). Each of these adjustments is described below, including calculations for each adjustment to be factored into the modifications recommended in the evaluation report regarding the Rate Year 2010 Detailed Rate Application.

Rate Year 2008 Fuel Purchases

In the franchise agreement amendments adopted by each of the six member jurisdictions for rates effective October 1, 2007, a fuel allowance of \$3.00 per gallon and a total of 513,805 gallons was established for Rate Year 2008, and it was agreed that the Rate Year 2009 service rates would be adjusted to reflect the difference between the agreed to and weighted average of the actual fuel prices multiplied by the 513,805 gallon fuel allowance. Pursuant to these agreements, the service rates adopted for Rate Year 2009 included an adjustment of \$276,299 (\$323,157 including the Operating Margin and Franchise Fees) to reflect the \$0.72 per gallon price difference between the fuel price allowance and the actual weighted average fuel price for the first nine months of Rate Year 2008.

The franchise agreement amendments adopted by each of the six member jurisdictions for rates effective October 1, 2007, specified that the Rate Year 2010 service rates will be adjusted to reflect any difference between the rate adjustment calculated for the fuel price difference for the first nine months of Rate Year 2008 and the total adjustment calculated based on the fuel price difference for all of Rate Year 2008. The following chart shows the computation of the additional amount owed to YSDI for the fuel price differential for the last three months of Rate Year 2008.

<u>FY 2008 Fuel Purchases</u>	<u>Actual Price to 9/30/08</u>
Average fuel price per gallon (October 2007 - September 2008)	\$3.815
Fuel price per gallon allowance agreed to in Amendment	\$3.000
Price variance over/(under) rate application	\$0.815
Fuel volume allowance (gallons)	513,805

Mr. Keith Martin, Regional Waste Management Authority
 July 8, 2009
 Page Two

Additional fuel cost for FY 2008	\$418,751
Less fuel cost for (October 2007 – June 2008) included in FY 2009 rates	(\$276,299)
Additional FY 2008 fuel cost to be added to the FY 2010 rates	\$142,452
Operating Ratio	\$15,828
Franchise Fees	\$8,331
Total rate deficit/(excess)	<u>\$166,611</u>

Rate Year 2009 Fuel Purchases (October 2008 – June 2009)

The franchise agreement amendments adopted by each of the six member jurisdictions for rates effective October 1, 2008 specified that as previously agreed, the Rate Year 2010 service rates will also be adjusted to reflect the difference between the agreed to fuel price allowance for Rate Year 2009 and the weighted average of the actual fuel prices for Rate Year 2009. The Rate Year 2009 fuel price allowance was set at \$4.00 per gallon rather than using the \$3.10 per gallon that resulted from the Indexed Rate Adjustment for Rate Year 2009. These franchise agreements also acknowledged that a two-step phased adjustment to the Rate Year 2010 and Rate Year 2011 service rates would also be necessary to completely reflect adjustments related to the actual weighted average fuel price for Rate Year 2009.

The Rate Year 2011 service rates will then be adjusted to reflect any difference between the actual weighted average fuel price for all of Rate Year 2009 compared to the \$4.00 per gallon fuel price allowance and factoring in the adjustments made for the first nine months of Rate Year 2009. The following chart shows the computation of the rate adjustment related to the fuel price differential for the first nine months of Rate Year 2009.

<u>FY 2009 Fuel Purchases (October 2008 - June 2009)</u>	<u>Actual Price to 6/30/09</u>
Average fuel price per gallon (October 2008 – June 2009)	\$2.229
Fuel price per gallon agreed to in Amendment	\$4.000
Price variance over/(under) rate application	(\$1.771)
Fuel volume allowance (gallons) (9/12 of 513,805 gallons)	385,354
Additional fuel cost/credit for FY 2009 (first 9 months) to be added to FY 2010 rates	(\$682,461.00)
Operating Ratio	(\$75,829.00)
Franchise Fees	(\$39,910.00)
Total rate deficit/(excess)	<u>(\$798,200.00)</u>

Fuel Allowances for Rate Year 2010 and Rate Year 2011

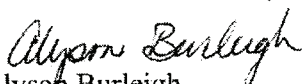
The Rate Year 2010 Detailed Rate Application included a projected per gallon fuel price of \$2.65 per gallon, which would then be adjusted for Rate Year 2011 according to the indexed rate adjustment for that rate year. YSDI has agreed to continue the process that adjusts future service rates for the difference between these per gallon price allowances and the actual weighted average fuel prices multiplied by the gallon allowance. The total fuel allowance for RWMA activities for Rate Year 2010 and Rate Year 2011 is 428,060 gallons per year and is based on the

Mr. Keith Martin, Regional Waste Management Authority
July 8, 2009
Page Three

volume of fuel purchased in the first nine months of FY 2009 (334,074 gallons), pro-rated for a full 12 months and multiplied by the RWMA activity percentage (445,432 gallons x 96.1%).

Please let me know if you have any questions.

Sincerely,


Alyson Burleigh
President

cc. William Schoen, R3 Consulting Group, Inc.